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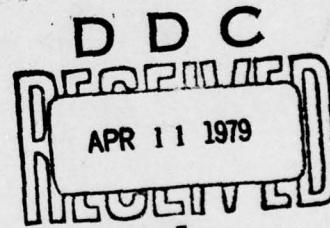
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⑥ **Evaluation of
Second Destination Transportation
Funding.
(U. S. Army).**

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LEVEL

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⑩ Daniel P. Gray, T. Scott /
/ Berry, James F. / Tomar, /
Li, Harman / Sharp, Ralph / Shadell /

U. S. Army Logistics Evaluation Agency
Office of the Deputy Chief of Staff for Logistics
New Cumberland Army Depot
New Cumberland, Pennsylvania 17070

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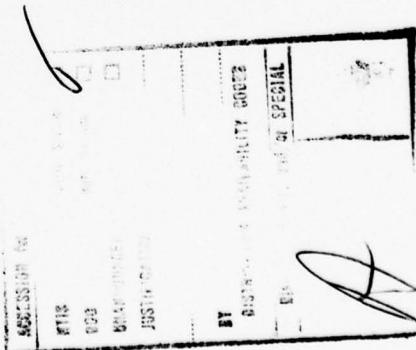
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Mr. S. Longo	DALO-RMB	Mr. R. Cromie	DLA
Ms. M. McCane	DALO-RMB	Mr. L. Kaplan	USAFAC
Ms. A. Bullock	DALO-RMB	Mr. L. Roberts	USAFAC
Mr. H. Green	DALO-RMI	Mr. R. Jacobs	USAFAC
Mr. D. Dietrich	DALO-RMI	Ms. M. Fix	USAFAC
LTC M. Maguire	DALO-RMP	Ms. M. Correll	USAFAC
Mr. J. Crosby	DALO-RMP	Mr. R. O'Keefe	DARCOM
LTC D. Wilson	DALO-RMP	Mr. J. Murphy	TARCOM
LTC D. Cook	DALO-RMP	Mr. R. Surkein	ARRCOM
Mr. R. Carlson	DALO-SMD	Mr. A. Taylor	ARRCOM
MAJ M. Beerthuis	DALO-SMD	Mr. J. Clark	FORSCOM
MAJ W. Heggie	DALO-SMS	Mr. J. Ridgeway	MTMC
COL A. Mode	DALO-TSP	MAJ J. Ott	MTMC
LTC D. Beakey	DALO-TSP	Mr. C. Taylor	TRADOC
Mr. E. Hanson	DALO-TSP	Mr. A. French	USACC
Mr. J. Gaworski	DACA-OM	Mr. L. Havens	MSC
LTC E. Rochon	DACS-DPA	Mr. R. Tuttle	AFLC

NOTE: The words he, his, himself, when used in this publication, represent both masculine and feminine genders, unless otherwise specifically stated.



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EVALUATION OF
SECOND DESTINATION TRANSPORTATION
FUNDING

EXECUTIVE SUMMARY

I. Introduction.

This evaluation was undertaken to improve the management of second destination transportation (SDT) funds and to develop methods for presenting requirements for POM/budget submissions. The project was conducted under the proponency of the Director for Resources and Management, HQDA, DCSLOG. The Project Advisory Group included representatives from interested Army staff elements and from the CONUS MACOMs and agencies which are the major users of these funds. DA DCSLOG, as the primary implementing agency, will follow up on progress and establish improvements as permanent transportation management policy and procedures.

Discussion of the transportation system and related financial management is at appendix B. There was a clear need to portray the requirements in programmatic terms, improve the accuracy and timeliness of forecasting procedures, better monitor the execution phase and improve controls at the top management level. Each of these areas was addressed and actions taken or recommended to achieve improvement.

Improvements were viewed as near-term--those which would assist in FY 81-85 POM development--and long-term--those which can aid in future year POM efforts. Where possible, actions were accomplished while the evaluation was in process.

II. Evaluation accomplished.

-- Forecasting of transportation requirements now responsive to POM/budget. Forecast now available at DA for POM FY 81-85.

-- POM/budget will highlight major transportation requirements and relate to programs. POM FY 81-85 examples are:

- Major items .
- POMCUS.
- Ammunition.
- ALOC.
- War Reserves.
- Secondary Items (PA).
- Stock Funded Items.

-- Determined that greater decentralization of SDT funding is not feasible. Remains at MACOM-USAFAC level.

-- Budget execution improved by better coordination between:

- Supply-maintenance activities.
- Transportation functional managers.
- Budget managers.

III. Future Actions Identified.

-- Total Army Equipment Distribution Program (TAEDP) identified source to improve forecasting of major item distribution - POM FY 82-86.

-- AR 55-30 (MECHTRAM) will be changed to obtain annual forecasts to meet POM requirements - March 1979.

-- USAFAC examining feasibility of an enhanced system to improve obligation of SDT funds - December 1979.

-- Freight Movement Control System (FMCS) is being developed by MTMC - will automate traffic management and save funds - March 1979.

-- Comptroller of the Army will revise AR 37-7, "Funding for Commercial Line Haul Transportation within CONUS under the Appropriation 'Operation and Maintenance, Army'." The draft is being prepared at this time - January 1979.

-- DA DCSLOG has on-going efforts that will continue to improve accuracy of transportation account code usage.

-- Financial billing improvements specified--March 1979.

IV. Conclusions.

-- SDT driven by supply:

- Bulk of SDT is for resupply of deployed forces.
- Major programs can be identified.
- Improved stratification better identifies other needs.
- If tracking in greater detail is required, future systems improvements may provide.

-- Expanded forecasting will improve POM FY 81-85.

-- Budget execution improved by better functional management.

CHAPTER 1

GENERAL

1-1. PURPOSE.

a. The purpose of the evaluation is to improve the management of funds used for second destination movements of materiel within the Defense Transportation System (DTS) and to develop methods to express in programmatic terms the Army SDT requirements for the program objective memorandum (POM). The evaluation is limited to Army-wide budgeting, finance and accounting, transportation, and resources management applicable to the Army second destination transportation (SDT) funding program.

b. The US Army Logistics Evaluation Agency conducted the evaluation under the proponency of the Director for Resources and Management (D/RM), HQDA, DCSLOG, in accordance with The Adjutant General (TAG) letter, DALO-RMB (M) (22 May 1978), 31 May 1978, subject: Evaluation of Second Destination Transportation Funding (US Army) (appendix A). The Project Advisory Group (PAG), chaired by the Assistant Director for Resources and Management, consisted of PAG representatives from Defense Logistics Agency (DLA), Materiel Development and Readiness Command (DARCOM), Training and Doctrine Command (TRADOC), Forces Command (FORSCOM), Military Traffic Management Command (MTMC), Army Communications Command (ACC), and US Army Finance and Accounting Center (USAFAAC), as well as Army staff representation from Comptroller of the Army (COA) and Deputy Chief of Staff for Logistics (DCSLOG), Directorate for Transportation Energy and Troop Support (D/TRETS), and Directorate for Supply and Maintenance (D/SM). The PAG membership represented the major Army commands (MACOMs) which are the major users of the SDT dollar; however, the views of other elements were obtained as appropriate; e.g., TAG regarding mail shipments.

1-2. BACKGROUND.

a. Historically, problems have been encountered in financing transportation requirements almost every fiscal year; hence, the SDT fund area has been examined periodically over a number of years. Difficulty in tracking the SDT dollars seems to have been the fundamental complaint.

b. During recent budget and program actions regarding the last POM document, questions were asked regarding various facets of the SDT program. For example:

- (1) What is the basis for the program request?
- (2) What does the money buy or accomplish?
- (3) What will not be transported if money is not available?
- (4) How is the money managed?

1-3. EVALUATION METHODOLOGY. The evaluation methodology involved research of previous studies and reports, review of current systems documentation, staff visits, oral and written communications, and substantial guidance from the D/RM and information from the PAG. While the evaluation was conducted simultaneously in several areas, this report is structured to present the subject in a logical sequence. Second destination funds are described and an examination is made of the conditions which make their management difficult. Improvements are divided into two categories, near-term improvement and long-term improvement, and are defined as follows:

- a. Near-Term Improvement. An improvement that can be made in time to influence the FY 81-85 POM cycle.
- b. Long-Term Improvement. An improvement which cannot be made in time to influence the FY 81-85 POM cycle, but which can be made for future years.

CHAPTER 2
SECOND DESTINATION TRANSPORTATION FUNDS

2-1. DESCRIPTION.

a. SDT identifies the movement of Army supplies and equipment worldwide by air and surface modes after delivery from production. The funds to do this are part of Program 7S (Supply) of the Operations and Maintenance, Army (OMA) Appropriation and are identified as Program Element (PE) 728010. In addition to movement within and among MACOMs, functional elements include moving Army cargo through CONUS ports, movement of Army civilians and their dependents overseas, traffic management functions, APO mail, enhancing the operation and maintenance of the Defense Railway Interchange Fleet (DFRIF), and movement of TOE equipment of units on permanent change of station. Physical distribution is the real purpose of SDT--to provide the Army-in-the-field with needed sustaining supplies and equipment and personal use items, support Army initiatives such as build-up of supplies, and retrograde of equipment and supplies to CONUS for rebuild and return to the supply system. A key feature of SDT funds is that they apply to movement of Army materiel after it has entered the supply system.

b. The majority of SDT funds expended are to pay for the movement of materiel to and generally from the user through the DTS. The DTS is comprised of the Military Sealift Command (MSC), Military Airlift Command (MAC), and the Military Traffic Management Command (MTMC). Commercial carriers, when operating under the auspices of these commands, are considered to be a part of the DTS. These commands, commonly known as the Transportation Operating Agencies (TOAs), were created to:

- (1) Function as single managers of a particular transportation mode or function.
- (2) Act as the interface with the commercial transportation community.
- (3) Manage the government-owned, chartered, and leased aircraft, ships, and equipment within their charter.
- (4) Negotiate contracts and rate agreements.
- (5) Obtain necessary transport services for DOD and other governmental agencies.
- (6) Make payment to the carriers and obtain reimbursement from shipper services. All TOAs are industrially funded to operate effectively in the commercial arena.

2-2. USES OF SDT FUNDS. There are two distinct uses for SDT funds--line haul movement and overocean movement which includes CONUS port handling. In the evaluation this distinction was retained, and while line haul funds were addressed, the focus was on the overocean/port handling area where 80 percent of the SDT funds are used. The specific portions of the transportation system are:

a. CONUS line haul which includes air or surface movements between depots, installations, and ports. SDT funds are programed in the Program Analysis Resource Review/Program and Budget Estimate (PARR/PABE) by the shipping command and later included in its Command Operating Budget (COB).

b. CONUS port handling which includes the unloading, sorting, consolidating, and outloading of cargo at water terminals and the preparation of cargo documentation; e.g., ships manifests. USAFAC reimburses the MTMC industrial fund for these services from its budget.

c. Overocean movement which includes the payment to the carrier either by the MAC or MSC industrial fund. USAFAC reimburses the MAC or MSC industrial fund for services provided.

d. Although not a portion of the SDT program element, oversea port handling portrays the total funding sequence from CONUS origin to overseas destination. These funds are programed in the PARR/PABE by the operating command and later included in their COB.

e. Oversea line haul, like CONUS line haul, is used to move supplies within the command. It is programed in the PARR/PABE by the appropriate MACOM and later included in their COB.

2-3. NOTIONAL FUND REQUIREMENTS. A notional budget would indicate annual SDT requirements distributed by purpose as shown in table 2-1. The oversea port handling cost is identified as a reminder that such costs must be accommodated. As noted, CONUS port handling and overocean movement costs constitute a major portion of the total budget. A distribution by command (table 2-2) reflects that a significant portion of the USAFAC budget is used to reimburse the TOAs. Note that 98 percent of the funds are in the first five commands.

FY TOTAL SDT REQUIREMENTS BY PURPOSE
(PE 728010) IN MILLION \$

CONUS Line Haul	\$ 65.4	13.0%
CONUS Port Handling	57.4	11.4%
Overocean Movement Air/Sea	354.0	70.9%
O/S Line Haul	23.6	4.7%
Total	<u>500.4</u>	<u>100.0%</u>
O/S Port Handling		
PE 728013	\$ 44.7	

Table 2-1

NOTIONAL

FY SDT REQUIREMENTS BY COMMANDS IN MILLION \$

<u>Command</u>	<u>FY Requirements</u>	<u>Total Percent of Requirements</u>
USAFAC	358.8	70.6
DARCOM	70.0	14.0
TAG	27.9	5.4
MTMC	20.9	4.2
USAREUR	20.8	4.1
FORSCOM	2.9	.6
USAEIGHT	2.5	.5
TRADOC	1.1	.2
USARJ	.7	.1
All Others	<u>1.8</u>	<u>.3</u>
Total FY Requirements	<u>500.4</u>	<u>100.0</u>

Table 2-2

NOTIONAL

CHAPTER 3

CURRENT SYSTEM

Section I. TRANSPORTATION WORKLOAD FORECASTING

3-1. GENERAL.

a. The SDT funds involving CONUS port handling and overocean transportation represent a major portion of the total funding. However, this important area also represents one of the major disconnects between the program/budget development system and the forecasting techniques of the functional manager. Current transportation overocean forecasting procedures do not satisfy PARR-POM budget cycle needs. However, the current forecasting requirements must be retained in their same general form and frequency to satisfy TOA requirements. An overview of the transportation workload forecasting system will provide a better understanding of both the nature of the problem and the needs of the transportation system.

b. The industrially funded single managers for transportation services or TOAs require that the military departments provide workload forecasts (JCS Pub 15, 2 June 1975). Within the Army, AR 55-30 establishes forecasting procedures which have been automated and identified by the acronym "MECHTRAM."

c. There are two types of forecasts--long- and short-range. The long-range forecast is for planning and preparation of fiscal year budget estimates by the TOAs and the DA staff. The short-range forecast projects monthly requirements for operations. Sixteen MACOMs/agencies are required to prepare forecasts.

3-2. SEALIFT FORECASTS.

a. The Army-sponsored worldwide sealift requirements submitted by D/TRETS to MSC and MTMC are reported by cargo funding program, by class of cargo, and by 57 geographic origin and destination areas throughout the world in measurement tons (MTON). The CONUS is divided into Atlantic, Pacific, Gulf Coast, and the Great Lakes. Other areas of the world are divided into MSC tariff areas.

b. Fourteen cargo funding programs are specifically identified; e.g., troop support, military construction, mail, and personal property. Military cargo is arranged in 12 commodity groupings consistent with the MSC surface commodity tariff; e.g., general, reefer (freeze and chill), ammunition/explosives, and special. (See para 3-6c.)

c. D/TRETS submits the long-range forecast 17 months prior to the start of the target fiscal year and a revised forecast 7 months prior to the target fiscal year. Short-range forecasts covering 4 months are submitted 15 days prior to the operating month.

3-3. AIRLIFT FORECASTS.

a. Forecasting procedures for overocean movement by air are similar to those for sealift. Long-range requirements are stated in short tons (STON) by quarter based on projected monthly averages. The original long-range forecast is submitted to MAC 22 months prior to the start of the fiscal year. Revisions are submitted as requirements change. Short-range requirements are reported monthly and are also stated in short tons, broken out into five separate categories; i.e., general air cargo, mail, courier, household goods, and baggage. The initial short-range forecasts are submitted to MAC 120 days in advance of the target month. Changes may be submitted as they become known including those generated during the operating month.

b. Both long- and short-range air forecasts are submitted by channel worldwide. A channel is two points or terminals between which common user airlift service is provided on a scheduled basis. There are approximately 700 cargo channels between 350 terminals in operation worldwide. Retrograde cargo from these channels must also be identified. For example, Dover to Frankfurt is one channel and Frankfurt to Dover is another channel.

c. Forecasting long-range cargo airlift requirements on a realistic basis presents some problems since the use of airlift for the shipment of cargo is based upon transportation priorities. With the exception of special high visibility supply programs like Direct Supply Support (DSS) and Air Line of Communication (ALOC), priorities are based upon time frames and required delivery dates rather than specific items or groups of items. The transportation priorities are established by the requisitioning command at the time the requisitions are prepared. The long-range forecasts actually reflect the estimated total tonnage to be shipped overseas requiring airlift because the required delivery dates cannot be met by other modes of transportation. In other words, they are estimates of what will not be delivered on time by routine transportation.

3-4. TOA USE OF FORECASTS.

a. General. The Mechanization of Selected Transportation Movement Reports (MECHTRAM) forecasting and reporting system is designed with unique timing and features to support the operational needs of the TOAs. The TOAs must first know operational needs before they can generate their industrial fund budgets. Each TOA acts as an agent in transactions with the commercial transportation world. MSC uses the largest portion of the SDT dollars and is referenced for illustration. MTMC charges, with respect to CONUS port handling, are created from the same data as MSC.

b. Long-range. MSC uses the long-range forecasts to negotiate rate agreements or tenders with ocean carriers and land-sea container operators. Rates are established for movement of all DOD-sponsored cargo to or from the 57 geographic areas.

(1) Carriers are regulated by a variety of national and international agencies. Their business is conducted in traffic terms peculiar and necessary to their trade. A key example is the MTON. Ocean carriers are usually most concerned with the volume of an item, not the weight. Therefore, the MTON, which equals 40 cubic feet, is a fundamental characteristic which must be known for rate negotiation and later for billing purposes.

(2) Actual weight is not ignored, but is used uniquely. A prime purpose is to ensure that the items can be lifted on and off the ship. Another purpose is to create a ratio between volume and weight. The carrier must know this to properly distribute weight and volume to obtain balance on the ship. Many other factors must be known such as whether the cargo is hazardous, explosive, heat sensitive, cold sensitive, too large to go through the cargo hatch, or requires special security.

(3) The terms may sound strange or duplicative, but they are the terms of the world of commerce. In establishing the rates, the forecasted workload enables the carriers to consider the volume and flow of DOD cargo traffic with respect to projected commercial movements. Total volume and flow is a prime factor in establishing their cost of business, and, in turn, rates for DOD cargoes. Thus, the long-range forecast is a primary tool for establishing rates.

c. Short-range. The short-range forecast plays a different role. MSC uses the short-range forecast to contract for space or lift on the ships. Thus, the industrial fund, rather than the OMA SDT fund incurs an obligation. If forecasting results in an over-buy or unused space, a loss of revenue can occur to the industrial fund. If forecasts are low with an under-buy of space, MSC might gain in revenues providing they can acquire the unanticipated space from the carriers.

(1) MSC's dealings with the carriers are in technical terms. In turn, MSC prepares a simple tariff for use by all DOD shippers. In order to simplify classification and description of items, MSC establishes broad commodity categories which are recognized by the commercial carriers but simplify matters for the shipper services. The items shipped by DOD, although only a small portion of the spectrum of items transported in the commercial world, must comply with commercial terms and definitions.

(2) In the tariff, MSC publishes rates for the movement of the various commodity groups to all parts of the world. These rates, however, are not the actual rates used by the carriers. While carrier rates will eventually react to poor forecasting, the process is slow and subject to many other factors. MSC rates, which are adjusted annually, will react to gains or losses of revenue. Increases in MSC rates, regardless of cause, will drive future OMA SDT costs upward.

d. Other TOAs.

(1) In MTMC, the major cost involves port handling charges which includes such items as obtaining stevedoring services, cargo consolidation, and preparation of cargo documentation; e.g., ship's manifest. Similar to MSC, MTMC must rely upon workload estimates to develop rates which will cover expenses. A profit or loss condition must be compensated for the following year.

(2) In addition to port handling, MTMC furnishes traffic management services which are reimbursed from SDT funds. Likewise, costs involving administration and maintenance of the some 2,800 rail cars in the Defense Freight Railway

Interchange Fleet are paid with SDT funds. Neither of these items is influenced by the forecasts.

(3) The MAC system is simpler because fewer commodity groupings are required and short tons are used as the usual work measure. On the other hand, it is necessary to forecast movements between specific terminals used; thereby, adding to the complexity of the forecasting procedures. As with MSC, when space is purchased and not used, future year MAC rates must recoup the revenues lost.

Section II. PROGRAM/BUDGET DEVELOPMENT

3-5. USE AND PROGRAM DEVELOPMENT.

a. The D/TRETS, who provides forecasts to the TOAs for Army-sponsored movements worldwide, also furnishes program/budget data to the D/RM, HQDA, DCSLOG, who is the Program Element Director for the OMA Program 7. D/TRETS has established procedures to accomplish this by obtaining reports from selected MACOMs, DA staff elements, and other activities. The data is converted into program/budget format for the ongoing activities.

b. The long-range forecast, a primary tool for program/budget purposes, is difficult to accomplish because of the numerous actions/events that can occur after the forecast is developed. Some actions will be offset by other actions, while others will have significant impact that cannot be anticipated. Political decisions, priority changes, fund constraints, equipment modernization programs, and other similar occurrences can erode the accuracy of forecasts. More often than not the forecasts are based on history rather than projections. Current forecasts extend only to the target or first year of the program. Most forecasters have no real knowledge of activity or programs in the out-years. The Army staff is the likely source of such information and should adjust the forecasts to these programs.

3-6. TOA FORECASTING AND BILLING PROCEDURES VERSUS PROGRAM/BUDGET CYCLE NEEDS.

a. TOA procedures versus program/budget cycle needs produce a major disconnect. One reason is that each of the industrial-funded TOAs is DOD-oriented rather than service-oriented. Revenue data is related to appropriation regardless of service. Workload is examined by service only; there is no concern for the appropriation. Revenues and expenses are carefully observed, but a breakout of data by service, appropriation, and cargo type is not done; is not meaningful to the TOA; and, if done, would probably be a costly process.

b. For this reason the 14 cargo funding programs are identified with a particular appropriation; a specific function within an appropriation; e.g., mail; or with a nonappropriated fund activity; e.g., AAFES. The cargo funding programs are:

- (1) Troop support and all other.

- (2) Military construction.
- (3) Military assistance.
- (4) Mail.
- (5) Personal property, civilian.
- (6) Personal property, military.
- (7) Civilian aid.
- (8) Other Government agency.
- (9) Foreign Military Sales.
- (10) Exchange service.
- (11) Motion picture service.
- (12) Courier materiel.
- (13) DA special activities.
- (14) Stars and Stripes.

c. Another reason for disparity is the commodity groupings required by the TOAs. These groupings relate both to the particular TOA tariff and to the accepted civilian commercial term. While some groupings such as ammunition are identifiable in military terminology, most fail to identify the specific items being shipped. Subsistence, other than refrigerated items, is documented as general cargo. Outsize items, like tanks, which exceed certain weight and dimension limits become "special;" if they did not exceed the limits they probably would be "general cargo." A list of the commodity groups follows.

- (1) MSC surface commodities.
 - (a) General.
 - (b) Reefer freeze (refrigerated).
 - (c) Reefer chill (refrigerated).
 - (d) Ammunition/explosives.
 - (e) Special.
 - (f) Assembled aircraft.
 - (g) Cargo carrying trailers.

- (h) Household goods (includes baggage).
- (i) Privately-owned vehicles.
- (j) Empty CONEX.
- (k) Coal and coke.
- (l) Bulk, other (excluding petroleum, oils and lubricants (POL)).
- (2) MAC air commodities.
 - (a) Household goods.
 - (b) Baggage.
 - (c) Courier materiel.
 - (d) Air mail.
 - (e) General air cargo.

d. Most cargo moved under SDT funding is in the Troop Support Program and most is charged to PE 728010 OMA. Both in the forecasts and in the cargo documentation and billings, most of the Army-sponsored cargo is identified as general cargo (MSC) or general air cargo (MAC). Such broad descriptions do not lend themselves to the specific identities and purposes required in modern program/budget developments. Tank engines, gun tubes, repair parts, clothing, and many of the smaller end items such as radios and generators fall into these general cargo descriptions.

e. In neither the programing (forecasting) nor the execution phases do any of the TOA reports align themselves with current programing or force packaging methodology. Following is a comparison of the current submission dates required by the TOAs to support forecasting and tariff development versus the dates submissions are required by DCSLOG (DALO-RMB) for PARR/POM/Budget cycle needs.

<u>Item</u>	<u>Required</u>
MSC Final Report - FY 80	1 April 1979
MAC Final Report - FY 80	1 February 1979
DALO-RMB - FY 81-85 POM	15 December 1978
DALO-RMB - FY 81 Budget	1 June 1979
DALO-RMB - FY 80 Obligation Plan	1 October 1979

f. In addition to the shortcomings cited, the current MECHTRAM system shows no clear identity with Army projects or actions, no link to movements within CONUS, and applies only to overocean cargo. While the system must be retained to meet TOA requirements, there is a clear and pressing need for a flow of data with the requisite timeliness and form to support the HQDA, DCSLOG, PARR/POM/budget cycle needs.

3-7. IMPACT OF STOCK FUND (SF) AND PROCUREMENT ARMY (PA) ITEMS.

a. General. If the SDT program element accommodated the movement of all supplies, some problems might be more readily identified and resolved. Such is not the case. Items are shipped to the air or water terminal with transportation costs funded by a number of appropriations. However, at the terminal, transportation costs for some of the shipments are paid by SDT funds while costs for others are borne by the original appropriation. Two points are noted.

(1) The program manager who funded the shipment to the terminal has no simple, direct way to inform the HQDA SDT Program Manager that the shipment will be made or has been made. Historical data is the primary basis for forecasting overocean requirements. Both of these points bear on the problem and will be addressed herein.

(2) Since the TOAs focus their financial management on the appropriation and the sponsoring shipper service; e.g., Army, Navy, Air Force, DLA, there is little interest in who caused the shipment, who made the shipment, or who will receive the shipment.

b. Stock fund.

(1) One significant area involves the transportation of SF items. Such items are consumable (expense) items as opposed to nonconsumable (investment) items. SF items which are grouped into materiel categories for management and accounting purposes constitute the majority of items in each of the Army classes of supply except Classes V and VII. Virtually all items used by Army are procured from the DARCOM or DLA stock funds or General Services Administration (GSA). The standard price of each item includes specific transportation costs. DOD Directive 7420.1 explicitly provides the permitted costs. Essentially, the cost of transportation within CONUS is included within the standard price. For shipments out of CONUS, port handling and overocean costs are incurred and charged to SDT funds.

(2) SF items are ordered through the requisitioning process when needed by the MACOMs. Consumer funds to procure the item are contained in the MACOM COBs. The DARCOM and DLA stock funds are, in turn, funded in anticipation of orders placed on them by the MACOMs. The oversea MACOMs have little foreknowledge of when the materiel will be actually shipped; the actual origin of the shipment; or, in many cases, the mode of shipment. As discussed later, no meaningful identity can be associated with these items in the SDT tonnage forecasts.

c. Procurement Army (PA). Another major area involves the movement of PA or investment items. When such items are procured and shipped FOB depot or water terminal, first destination transportation funds are charged. From that point onward, OMA SDT funds are charged. For the most part, these items are intensively managed and their distribution predicted with reasonable accuracy. However, as with SF items, they cannot be clearly identified in the SDT forecast.

d. Others. Shipments to water terminals under other appropriations present little problem. For the most part, charges are direct or reimbursable, thereby creating no impact on the OMA SDT portion.

3-8. CONTROLLING POTENTIAL SDT COSTS.

a. An examination was made of "what drove the SDT function--and dollar?" In a production firm these dollars would likely be related to and referenced as "freight-in and freight-out accounts." The sales manager of any commercial concern truly drives freight received and shipped by virtue of projected sales of what, to whom, or where. These aspects drive production requirements which, in turn, drive purchases. The purchasing agent truly determines "freight in" by virtue of what he expects to purchase to meet production demands and where and how it is purchased. In each case the traffic manager provides assistance, advice, and transportation cost estimates to the purchasing agent. Regardless of how it is done, the freight account is a significant part of the cost of doing business. The traffic manager doesn't really "control" costs, but he does exercise his influence. The freight account expenditures can be halted only when purchases or sales are halted.

b. As a corollary to the foregoing in the Army, SDT movements are driven by the supply system or by special, directed actions. SDT expenditures can be halted only by halting the initiation of a supply action. When a materiel requirement is generated, the requester submits a request which triggers the system to move an item onward to the user. The request is usually seen in CONUS as a requisition, but it can take other forms. It may cause replenishment of repair parts, training ammunition, war reserve materiel, or a new truck.

(1) For the most part, supply actions are initiated by a user citing consumer funds to pay for the item. If the item is stock funded, the cost to move it in CONUS is part of the unit cost, but if it goes to a port, SDT funds are required for the overocean portions. HQDA cannot control this action short of removing the consumer funds from the requester (MACOM). Having allocated the consumer funds to the oversea MACOMs, HQDA has, in effect, guaranteed the over-ocean shipment.

(2) In the case of investment items, some control can be exerted by HQDA by withholding authority to distribute the item. At present only a manual effort is possible and success depends upon the intensity of management over the item. A system identified as "Total Army Equipment Distribution Program (TAEDP)," described more fully in chapter 5, has been developed which will enable greater control over many major items. TAEDP will provide data not now available for relating SDT costs to force packaging and program budget development. As proposed systems changes are implemented in CY 79, distribution control and data accumulation will be enhanced.

(3) With respect to directed actions, the ability to "turn off" a potential SDT cost increases. However, such actions are generally high priority and not conducive to being halted. For example, a decision to preposition selected equipment can carry with it known SDT costs, but the likelihood of halting the shipment is doubtful unless the project itself has been halted or deferred.

(4) Ammunition shipments offer an excellent opportunity to halt movement and thus conserve SDT funds. Ammunition, a unique commodity, is intensively managed, and is visible within the transportation system. However, constraints similar to those on directed actions are present.

c. The halting of shipments among CONUS installations offers little real fund conservation. Such requirements are usually well justified in the PABE and except for DARCOM represent about 2 percent of the total SDT program. The DARCOM shipments are primarily in support of outstanding requisitions or in support of funded maintenance programs.

(1) On occasion it has been said, "If we must, we will stop shipments." That is the ultimate step! It is likened to an embargo and it is the only tool available within the transportation system to halt movements. Unfortunately, it will not halt the spending of funds. Charges will accrue someplace--payment might be deferred or transferred, but eventually the shipment must be delivered to somebody or confiscated by the carrier. Charges probably will be greater because of storage or diversion costs.

(2) Since virtually all SDT funds involve shipments to or from the over-sea forces, the net result will be to quickly degrade the readiness of deployed forces, whether halted in transit or held at a depot. Little or nothing will be "halted" involving CONUS movements because most supply actions involve stock fund actions or first destination transportation funds for delivery of PA items.

d. Thus far the discussion has been directed at halting the movement of Army materiel. Several other commodities are moved overocean by SDT funds. These are now examined--

(1) APO mail is, for the most part, shipped by US military and commercial air carriers.

(a) Title 39 U.S.C., Section 3401, specifies the categories of mail matter that shall be transported by air at no cost to the sender for members of the Armed Forces.

(b) Official mail and some lower class mail can be shipped by lower cost surface means. Military mail terminals do determine which mail can be moved via surface means.

(c) Since any individual may place a letter in the system, the generation of personal APO mail cannot be controlled, and since air movement is mandated, it cannot be diverted to surface means. Personal mail movements can be halted, but to do so as a matter of conserving funds is highly unlikely.

(d) The generation of official mail can be controlled and it can be halted intransit, but like supplies, the charges eventually must be paid or the materiel lost.

(e) Projection of future mail tonnages is difficult. The correlation of persons served and personal mail is vague and erratic. Official mail, particularly shipments of small parts in minor quantities, may vary widely. For example, items once shipped by mail (and part of the mail shipment history) may have migrated to the ALOC system, thus increasing ALOC tonnages while decreasing mail tonnages.

(2) AAFES shipments are forecast by the Distribution Division at the Dallas Headquarters of the Exchange Service.

(a) Such shipments are in support of DOD elements of which the Army is but one element. The tonnages and funds which appear in the Army program/budget reflect the pro rata share (69 percent in FY 78) to be funded by Army. These tonnages differ from the forecasts provided to the TOAs since their involvement is with the total movement requirement.

(b) AAFES shipments are, for the most part, consolidated shipments which upon arrival at an oversea distribution point are redistributed according to the varying needs of the Armed Forces and dependent population served. Thus, an intransit AAFES shipment is unlikely to be solely for the Army or the Air Force.

(c) Halting such shipments intransit would have the same costly result as for Army supplies. Halting prior to entry in the transportation system could avoid incurring SDT costs. In either case, an attempt to describe the impact on the AAFES system would be conjecture.

(3) Shipments of DA civilian personal effects (baggage, household goods, and privately owned vehicles) via the DTS are also accomplished with SDT funds. The overall amount is relatively small within the SDT program. Halting or deferral of delivery would, like supplies, only defer payment, but with the added potential of claims for damage or hardship.

(4) Courier shipments represent the overocean movement of classified defense materiel. These normally would not be halted intransit, but could be deferred. Description of the impact on the movement of classified documents, COMSEC materiel, etc. would be conjecture.

e. Thus, with respect to the use of SDT funds for overocean movement, a potential cost is incurred when action is initiated to obtain an item.

(1) If the item is stopped before it enters the transportation system, the requester will be denied its use and the supply system will be suspended, but no SDT costs will accrue.

(2) Once the item enters the transportation system, little can be done to avoid SDT costs.

(3) This suggests that the best form of control is in knowing better what is needed and forecasting more accurately. If sufficient data related to projects and programs is obtained for the out-years, it can be reasonably expected that, as the program nears the budget and execution stage, decisions and refinements will increase the accuracy of the forecasts and, in turn, the control.

Section III. MANAGEMENT AND CONTROL

3-9. GENERAL. At the present time, SDT requirements are reviewed and validated by COA, and an approved program and funding level is established. Funding authorization documents (FADs) are issued to USAFAC for overocean transportation via MAC, MSC, and for MTMC port handling charges.

a. Based on the approved budget, USAFAC distributes the Annual Funding Program (AFP) and allots SDT funds. Additionally, predicated upon prior experience as well as the approved operating budget, USAFAC issues authority to fiscal station S12121 to establish automatic and funded reimbursements. This is accomplished by preparing a schedule of anticipated reimbursements by source codes and dollar amounts. The reimbursement activity is monitored periodically by USAFAC to determine if the reimbursements are materializing at a rate consistent with the program and if adjustments are made as necessary.

b. Obligations are based on estimates provided by DCSLOG or specific requests from MTMC. When disbursements are completed, obligations are adjusted to actual charges when bills are computed and the obligations liquidated.

c. The TOAs bill USAFAC on hard copy billings for channel activity and provide computer tapes containing detailed billing data to the MECHTRAM computer system at the US Army Management Systems Support Agency (USAMSSA), Washington, DC. From these tapes USAMSSA provides USAFAC with a transportation account code (TAC), customer identification code (CIC), and appropriation summaries and edit error listings for completion of accounting data on payment vouchers. This is a problem area which is discussed in chapter 4.

d. Special assignment airlift missions (SAAMs) and miscellaneous activities; e.g., ship lining and delining for explosives safety and ship fumigation, are billed separately and detail is not included in the billing tapes. Therefore, such expenses are not captured in the MECHTRAM system and will not be reflected as a resource expenditure.

e. MAC and MSC provide billings for check payment while MTMC bills through "Transactions for Others (TFO)" procedures for current year funding and bills for check payment for prior year funding.

f. In addition to billings from the TOAs, USAFAC receives billings from the various finance offices for cost of transportation requests issued for Category Z or less than Category Z transportation provided to DA civilian employees for overocean permanent change of station travel. Also, where DA civilians elect to travel on US flag carriers at their own expense, so much of the allowable cost of overocean transportation cost authorized by the Joint Travel Regulations, Volume 2, is billed to USAFAC. This also is a problem area discussed in chapter 4.

3-10. PAYMENT AND ACCOUNTING BY USAFAC.

a. Payments made to the TOAs by USAFAC are recorded as Military Pay, Army (MPA) direct charge, OMA direct charge, Military Assistance Program (MAP) direct charge, OMA-funded reimbursement, OMA automatic reimbursement or direct billing

to funded fiscal stations utilizing TFO procedures in accordance with published TAC and CIC codes.

b. Collection for cost of moves for TACs identified as funded reimbursements are made by activities designated for specific TAC codes as published in Military Standard Transportation and Movements Procedures (MILSTAMP). Such collections are credited to OMA funds, appropriate source code, and nominal fiscal station S99999. Based on summary accounting reports from DA accounting operations, USAFAC converts nominal station to S12121 and includes collection in appropriate Status of Reimbursement Report. This problem area is discussed in chapter 4.

c. Payments recorded as automatic reimbursements are established as accounts receivable by USAFAC and billed to and collected from activities identified in TAC codes.

d. Accounting is performed in accordance with AR 37-108. Status reports are furnished the accounts office and USAFAC. Copies of OMA reports are sent to the Budget Division (DALO-RMB).

CHAPTER 4

IMPROVED SYSTEMS (NEAR TERM)

Section I. TRANSPORTATION WORKLOAD FORECASTING

4-1. FORECASTING DATES. As stated earlier in this report, the MECHTRAM forecasting system for the TOAs is not in synchronization with the program/budget cycle and does not meet the needs of the Budget Division (DALO-RMB). This issue has been resolved for the POM (FY 81-85) and the required dates provided to the Transportation Management Division (DALO-TSP) as follows:

- a. 15 December for inclusion in the January POM each year. This forecast will cover the 5 program years.
- b. 1 June each year to support budget preparations.
- c. 1 October each year to support development of the annual obligation plan.

4-2. FIVE-YEAR FORECAST IN SUPPORT OF FY 81-85 POM.

a. In October, the Transportation Management Division (DALO-TSP) took action to obtain a 5-year (FY 81-85) projection for overocean movements. The data is being developed by the MACOMs for submission in accordance with the Budget Division's required date for POM efforts. While the initial submissions may be imperfect and the out-years contain "some "straight-lining," it is clearly a progressive move and a much needed improvement.

b. DARCOM, as the principal shipper of materiel, conducted an extensive survey of its Materiel Readiness Commands and other major subordinate commands to determine what additional data could be added to long range cargo forecasts. This effort is to improve DCSLOG's ability to prepare and support SDT program/budget submissions. The general consensus of the responses was that the improved cargo forecast resulting from the use of the TAEDP offered the best potential for improving the data base behind long range cargo forecasts. DARCOM's recommendation was accepted by HQDA, DCSLOG. However, improved forecasts based on the TAEDP will not be available to support the FY 81 submissions made by DA in mid-January 1979. Information necessary to support the FY 81 submission is discussed below.

4-3. OTHER ACTIONS IN SUPPORT OF IMPROVED FORECASTING.

a. The Budget Division (DALO-RMB) input to the Program and Budget Guidance (PBG) was approved by the Budget Review Committee (BRC), was incorporated into the PBG by COA, and was distributed in November 1978.

b. In order to comply with OSD guidance, a format entitled Summary of FY 81-85 Transportation Requirements (Format VI-E-10-C) was presented and explained to the PAG members by the Budget Division. This summary covers both first and second destination transportation. Since it includes the various programs;

e.g., OMA P2, P3, P8, in addition to OMA P7, the PAG members requested that it be sent formally to their headquarters along with detailed instructions on how to prepare the format. It is recommended that DALO-RMB provide these detailed instructions to the MACOMS (Suspense: 31 January 1979).

c. DARCOM will develop lists of major items of equipment planned for oversea distribution during FY 81 which have readiness implications and which will generate significant amounts of tonnage. The following guidelines will govern preparation of the lists:

(1) Major items listed should be those in which the entire number to be distributed to Outside Continental United States (OCONUS) destinations will result in the export shipment of 1,000 measurement tons (M/T) (40,000 cu ft) or more. Such a shipment would equate to about \$100,000 of SDT funds. Examples of reportable items are:

- (a) 12 ea, M60 Tank, at 3474 cu ft equals 1031 M/T.
- (b) 20 ea, 5-Ton Dump Truck, at 2323 cu ft equals 1161 M/T.
- (c) 200 ea, Radio TT Set, at 211 cu ft equals 1056 M/T.
- (d) 500 ea, 20 KW Generator Set, at 93 cu ft equals 1171 M/T.
- (e) 200 ea, Missile Guidance Section, at 227 cu ft equals 1127 M/T.

(2) No individual item of less than one M/T (40 cu ft) will be included in the list.

d. MECHTRAM forecasts provided to DALO-TSP must be jointly reviewed by both DALO-TSP and DALO-RMP. This is essential since often major issues which impact SDT funding are not known to the forecasting activities. Communications among and between the interested resource and functional staff agencies is vital and must be specifically accomplished prior to program and budget development. To achieve better management and correlation of SDT funding with functional programs which it supports, communications must be continuous. It is recommended that DALO-TSP, in coordination with DALO-RMP, ensure that major issues affecting SDT are considered before programs and budgets are developed. Suspense: Upon receipt of forecasting input in support of the POM (15 December), the budget (1 June), and the Annual Obligation Plan (1 October).

Section II. PROGRAM/BUDGET DEVELOPMENT

4-4. GENERAL. This methodology addresses the large (80 percent) portion of the SDT program required to reimburse TOAs and others involved in overocean movement of Army-sponsored materiel. It embraces force packaging methodology by presenting the SDT program in terms better related to program development. The unwieldy terms and gross values associated with the forecasting system can be portrayed as they relate to basic functions, approved programs, new missions, and major program changes. It stratifies a large portion of the program along lines that more clearly identify their purpose and provide resource managers more discrete

knowledge of resource requirements (or more knowledge for resource allocation). While developed for the near term efforts involving the FY 81-85 POM, the methodology needs little modification to take advantage of the benefits expected from TAEDP Phase II.

4-5. CURRENT CARGO COMMODITIES. At this time, certain unique commodities can be readily identified within the forecast system. The principal ones are ammunition, APO mail, AAFES, and civilian personal effects. DLA, as the single manager for subsistence, now projects both commissary and troop subsistence requirements. Special procedures permit projections of particular groupings; e.g., ALOC. This methodology seeks to further identify a large portion of the tons, and the SDT dollars to move them, now masked as general or special cargo. There is no claim that all tonnages/costs can be so portrayed, and there is certainly no recommendation that only the tonnages/costs portrayed be approved in the program/budget process.

4-6. TYPICAL COMMODITY CATEGORIES. The titles assigned as typical commodity categories were chosen arbitrarily. It can be seen that categories could be related to support of a specific force or portion of a force. Likewise, a category could be identified to a particular level of support or resource. Any more descriptive title can be applied. In the graphic presentations, these categories were identified as "Purpose" to differentiate from the "Cargo Commodities" used in current documents. Most of the materiel in these groupings is moved to the terminal on other than SDT funds. The categories selected are:

a. Troop subsistence. All subsistence, frozen, chilled, or otherwise, moved overocean for Army troop units by DLA, the single manager for subsistence.

b. Commissary. All materiel, frozen, chilled, or otherwise, moved overocean for resale in the Army Commissary System.

c. APO mail. All personal and official mail matter moved overocean for Army and Army-supported personnel. For simplicity of portrayal in graphic form, air movement of courier, SAAM flights, and civilian baggage were included in APO mail on the rationale that such items fall in a high priority grouping.

d. ALOC. Only those Army Class IX repair parts eligible for movement by the ALOC system. DSS tonnages were not addressed in the methodology.

e. AAFES. Those Exchange Service items moved overocean and paid for by the Army. Reimbursable shipments were not addressed.

f. Stock fund (less ALOC and subsistence). All stock fund shipments less the Class IX ALOC tonnages and DLA troop subsistence tonnages (commissary items are not in the SF). Stock fund items are the "bread and butter" consumables purchased by the MACOM with consumer funds to support men and equipment in the field. The Army buys primarily from two stock funds:

(1) DARCOM SF. DARCOM materiel categories (MATCATs) are primarily in support of Army managed weapons systems and equipment. MATCATs are ground forces equipment, electronics, air, tank/automotive, missiles, and weapons/fire control.

(2) DLA SF. DLA MATCATs are oriented toward personal support items and common user equipment. MATCATs are medical/dental, packaged POL, general supplies, clothing/textiles, ground forces equipment, electronics, and industrial. GSA items are obtained through DLA.

g. PA secondary. These are usually large, expensive, subassemblies and often end items in themselves. They are important to maintenance programs, war reserve stockage, equipment modernization programs, and the fielding of new equipment. This methodology focused on transportation or weight significant items rather than dollar value significant; therefore, the tank/automotive (TARCOM) items; e.g., engines, transmissions, differentials, were examined. A more refined approach might locate such items in the aviation (TSARCOM) and missile (MIRCOM) programs.

h. Ammunition.

(1) Training. Since training ammunition has a purpose distinct from others, its separate identity in the program was retained.

(2) Build-up. This term was selected to differentiate its purpose. Any term or terms could be used. In this methodology all ammunition build-up was placed arbitrarily in one Program Development Increment Package (PDIP).

i. Other sealift. This grouping accommodates shipments which have not or cannot be clearly defined far in advance. The intensity of management influences the visibility of and predictions on materiel transactions. Also, managerial experience indicates that a certain amount of redistribution, stock return, and retrograde movement will occur but specific data is not available. This grouping merits a high priority even though it is not as well defined as some others. Continual effort should be directed to this grouping to better define and, if appropriate, further stratify.

j. Major items. This grouping incorporates what is known as "Special - over 10,000 lbs," on the rationale that "Special" items are virtually always major items. In this methodology, the purpose was to give identity to important items not visible through special designators like PDIPs and ALOC.

k. Other air cargo. This is similar to other sealift.

l. PDIPs. Three titles were selected for the display, War Reserves, prepositioning of materiel configured to unit sets (POMCUS), and ammunition. Any number and any identity may be shown; however, when shown as part of the total program, only large tonnages/dollars make any appreciable impression. It is likely that several may be "rolled" on chart displays.

4-7. SOURCE OF DATA AND FACTORS.

a. Major items. The potential of TAEDP Phase II is well known, but until it is operational, major (PA) items distribution data must be laboriously extracted by manual means. For development and test of the methodology, notional data was used and applied against the general and special cargo groupings. For actual FY 81-85 POM efforts, the DARCOM effort to develop item distribution data for shipments as small as 1000 M/T is expected to produce data significantly

more detailed than in the past and be compatible with this methodology. Weight and cube data can be obtained from SB 700-20 or from appropriate item managers. In this methodology, since these were considered replacement items for a change-out program, items shipped in 1 year were considered eligible for return (retrograde) the next year. It is possible that the assets resulting from an exchange of major items would be designed to increase POMCUS or War Reserves rather than become retrograde to CONUS. If so, the appropriate staff document; e.g., PDIP, should indicate both the asset redistribution and the SDT costs avoided.

b. PA secondary items. These items lend themselves to projection by the item manager. Since they are usually managed as dollar lines in the program, a conversion factor is necessary to develop the short tons to be moved. In this methodology computation, a notional representation of secondary items projected by TARCOM was applied against the general cargo grouping. An important point is that many of these items are reparable and must be returned to CONUS. The percentage to be returned should be available through the item manager in DARCOM. Similar to the major items, the number of tons shipped overocean in 1 year were considered to be returned the following year for the depot maintenance program.

c. Ammunition. This commodity is both unique and intensively managed at HQDA and within DARCOM. Program quantities and weight data are available in DALO-SMD and Armament Materiel Readiness Command.

d. Troop subsistence and commissary. In accordance with a 4 October 1978 agreement, DLA furnishes this data to DALO-TSP and DALO-RMB in time to satisfy POM and budget submission.

e. AAFES, APO mail, and other. Data for AAFES and APO mail is furnished by HQ AAFES and TAG, respectively. All other miscellaneous categories are furnished by the MECHTRAM forecasting elements.

f. PDIP. PDIP data is obtained from the PDIP documentation prepared by the DA staff.

g. Stock fund. The basic data for both DARCOM and DLA SF transactions can be obtained from DALO-RMI. A procedure for obtaining the data and stratifying it is:

(1) For each O/S MACOM, obtain the dollar value, by materiel category (MATCAT), of the purchases programmed against the Wholesale Stock Funds (DARCOM and DLA). Retail SF sales routinely are reconciled against the MACOM OMA consumer fund programmed purchases to assure program/budget consistency. (See table 4-1.)

(2) Divide the dollar value of each MATCAT by the current dollar per S/T factor to obtain S/T in that MATCAT. (See table 4-1.)

(3) Multiply each MATCAT S/T by the appropriate S/T to M/T conversion factor to obtain M/T. (JCS Pub 15.)

(4) "Back out" the values for items to be shipped by air; e.g., ALOC, or to be identified for another purpose; e.g., PDIP, operational projects. Troop

subsistence values should be compared with the DLA projected values and major differences resolved.

(5) Overocean movement cost data for SF items is calculated by multiplying the MTMC and MSC rates for the commodity by the M/T.

4-8. NEAR TERM METHODOLOGY.

a. For methodology purposes, notional tonnages (for FY 79-85) were developed for the FY 81-85 POM. The computation equates to a total notional SDT program of \$500M. About \$90M would be for line haul and \$410M for CONUS port handling and overocean movement. The overocean aspect is portrayed in this methodology. The current broad commodity terms were retained; costs computed by year for CONUS port handling, overocean movement (MSC or MAC), and O/S line haul were totaled and portrayed for FY 81-85 POM (figure 4-1).

b. Using the rationale and procedures noted, the 14 "purposes" devised were arbitrarily placed in the priority shown. Using the tonnages appropriate, each "purpose," similar calculations were made and portrayed for the FY 81-85 POM (figure 4-2). (Note that items 3, 4, and 11 are air movement and excluded from the surface display.)

- | | |
|--|----------------------------|
| 1. Troop subsistence | 8. Training (TNG) AMMO |
| 2. Commissary | 9. Other sealift |
| 3. APO mail | 10. Major item replacement |
| 4. ALOC | 11. Other air cargo |
| 5. AAFES | 12. PDIP War Reserve |
| 6. Stock fund (less ALOC
and subsistence) | 13. PDIP POMCUS |
| 7. PA secondary | 14. PDIP AMMO |

c. In comparing figures 4-1 and 4-2, the proposed stratification by "Purpose" provides several advantages over the current method.

(1) Items 1, 2, 5, and 6 more clearly identify what materiel items are being shipped, and by their nature, are known to be items routinely required to support a force.

(2) Item 7 reflects the impact of growth in a notional program, captures the cost of retrograde, and indicates a downward trend as the program terminates.

(3) Item 9 diminishes in the early program years as TAEDP Phase II output more clearly defines other requirements, and increases in the out-years because distribution is less well-known.

(4) Item 10, similar to Item 9, reflects better knowledge of major item distribution.

(5) Items 12, 13, and 14 reflect the initiation, growth, and completion of the three notional PDIP items.

d. In portraying a single year (FY 81), the current commodity terms were stratified as a total cost (table 4-2). For information, the conversion factors, S/T and M/T, were shown. Also, a cumulative cost column was added. Table 4-3 portrays FY 81 with costs identified to the "purposes" displayed in figure 4-2.

e. The overocean SDT program can be stratified in various ways; e.g., total air surface, air or surface only, MACOM, selected FY. The following are displays of notional data:

Figure 4-3. Overocean Air, by purpose.

Figure 4-4. Overocean Air and Surface, by purpose.

f. Although not calculated in these examples, CONUS line haul costs can be incorporated as appropriate; e.g., retrograde items, thus capturing total program costs. Also, not calculated is O/S Port Handling PE 728013. If required, it can be incorporated.

g. Examples of the costs to move selected items overocean are shown in table 4-4. Note that the retrograde cost would be higher due to higher impact rates.

h. The methodology permits considerable manipulation to accommodate decrements and deferrals and to identify candidate funds to be unfinanced if the driving purpose is likewise unfinanced. The methodology will relate SDT requirements to PARR/POM/budget and Force Packaging Methodology in programmatic terms.

Table 4-1
O/S MACOM RETAIL SF ORDERS FY

	STOCKFUND (\$000)	RATE PER S/T (\$)	NO. OF S/T
<u>DARCOM</u>			
GRD FCS	\$ 7,292	4,792	1,522
ELEC	17,487	7,187	2,433
AIR	23,976	23,825	1,006
TK/ATMTV	93,750	3,194	29,352
MSLS	8,180	23,825	343
WPNS/F CTRL	<u>46,463</u>	10,249	<u>4,533</u>
	\$197,148		39,189
<u>DLA</u>			
MED/DENT	\$ 25,380	4,618	5,496
PKG PET AND GEN SUP	56,359	2,777	20,295
CLO/TEX	43,159	4,505	9,580
GRD FCS	32,066	2,079	15,424
ELEC	8,604	61,444	140
INDUST	<u>6,736</u>	3,564	<u>1,890</u>
	\$172,304		52,825
SF PURCHASES EXCLUDING TRP SUBSISTENCE	\$369,452		
		TOTAL S/T	92,014

NOTE: STOCKFUND (\$000) ÷ RATE PER S/T = NO. OF S/T

Table 4-2

FY 81 OVEROCEAN SURFACE SDT PROGRAM BY CARGO COMMODITY IN TONS AND DOLLARS

<u>Commodity</u>	<u>Conversion Factor</u>	<u>S/T</u>	<u>M/T</u>	<u>\$000</u>	<u>\$000 Cum</u>
Ammo	S/T = 1.0 M/T	299,750	299,750	26,966	26,966
AAFES	S/T = 2.0 M/T	236,800	473,600	38,731	65,697
Civ HHG/BAG	S/T = 7.1 M/T	3,480	24,708	1,875	67,572
Special (Over 10,000 lbs)	S/T = 4.73 M/T	157,600	745,448	57,443	125,015
Gen cargo less air movements	S/T = 3.0 M/T	626,071	1,878,213	148,479	273,494
Subsistence	S/T = 2.4 M/T	178,920	429,408	34,532	308,026

Table 4-3

FY 81 (DOLLARS IN THOUSANDS)

<u>PURPOSE</u>	<u>CONUS PORT HDLG</u>	<u>OVEROCEAN MSC/MAC</u>	<u>O/S LINE HAUL</u>	<u>TOTAL SDT PE 728010 ONLY</u>
PDIP AMMO	4344	14148	4110	22602
PDIP POMCUS	1383	4505	654	6542
PDIP WAR RES	1017	3311	393	4721
OTHER AIR CARGO		6200		6200
MAJ ITEM REPL	2628	8559	622	11809
OTHER SEALIFT	27353	89082	6184	122619
TNG AMMO	692	2252	654	3598
PA SECONDARY	7781	25340	3272	36393
STOCK FUND (LESS ALOC AND SUBS)	4176	13599	1317	19092
AAFES	8195	26691	3877	38763
ALOC		33728		33728
APO MAIL		36084		36084
COMMISSARY	5930	19314	2339	27583
TROOPS SUBS	2340	7622	923	10885

Table 4-4
EXAMPLES OF OVEROCEAN SHIPMENT COSTS

	<u>CONUS</u> <u>Port Hdlg</u>	<u>Overocean</u>	<u>O/S</u> <u>Line Haul</u>	<u>Total</u> <u>SDT</u>
SURFACE (MSC)				
Tank, M60A1 (50 S/T-90 M/T)	\$1,556	\$5,068	\$818	\$7,442
Carrier Pers M113 (10 S/T-30 M/T)	519	1,689	164	2,372
Truck, Cargo 5T (911 S/T-50 M/T)	865	2,815	180	3,860
Repair Parts (CL IX) 2,000 Lbs (1 S/T-2.5 M/T)	43	141	16	200
AIR (MAC)				
Repair Parts (CL IX) 2,000 Lbs		\$1,240	\$ 16	\$1,256

OVER-OCEAN SURFACE SDT PROGRAM
BY 81-85 POM
BY CARGO COMMODITIES

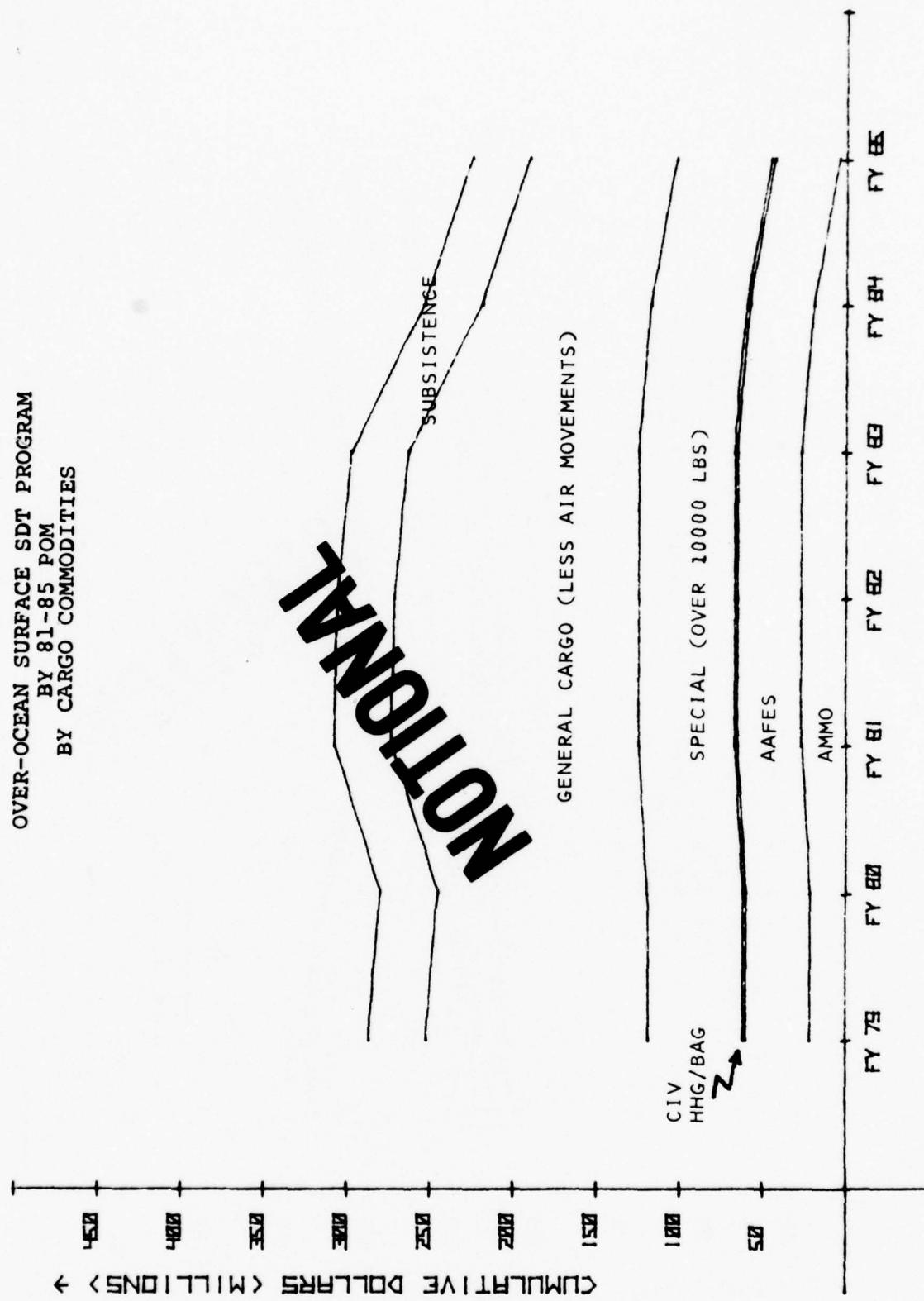


Figure 4-1

OVEROCEAN SURFACE SDT PROGRAM
FY81-85 POM
STRATIFIED BY PURPOSE

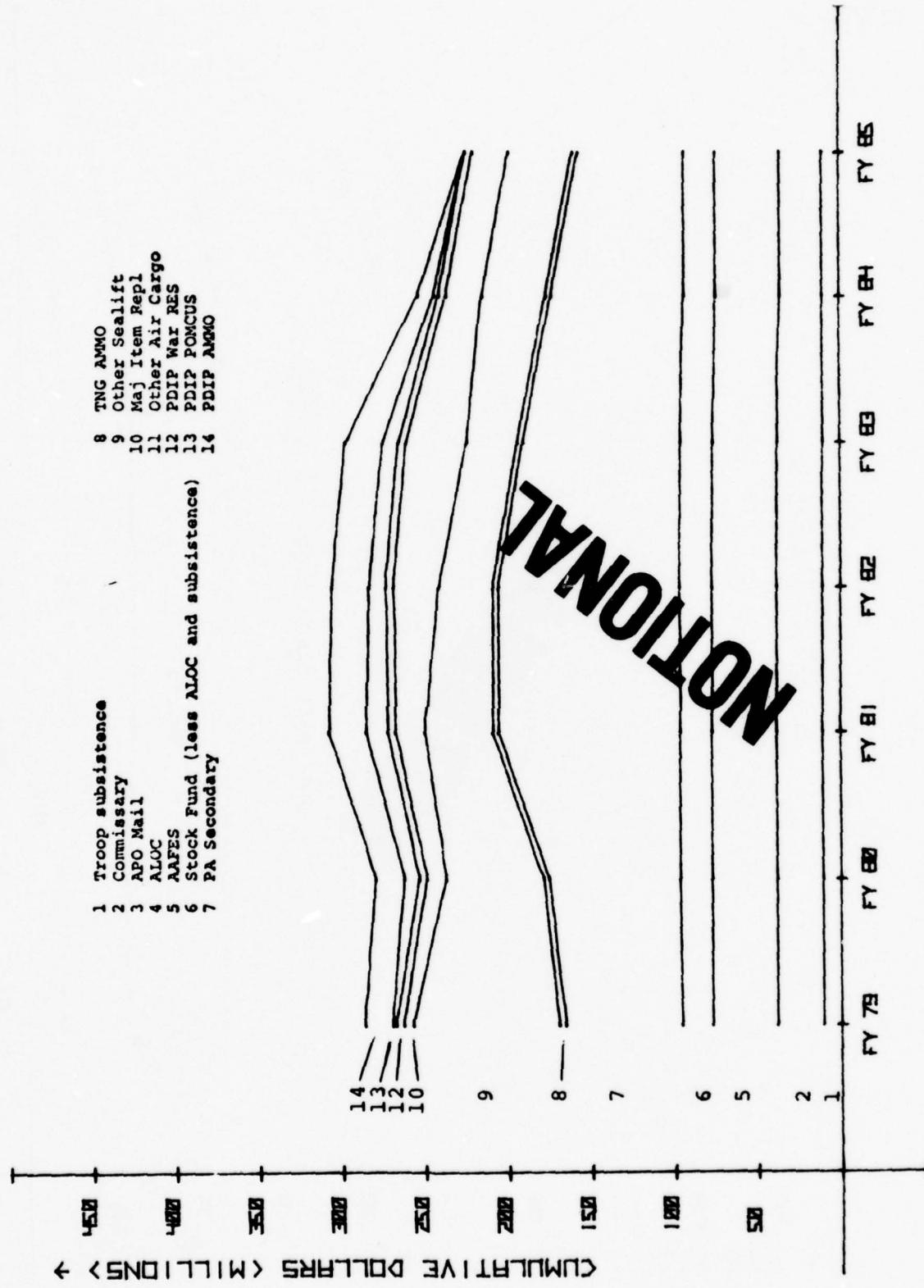


Figure 4-2

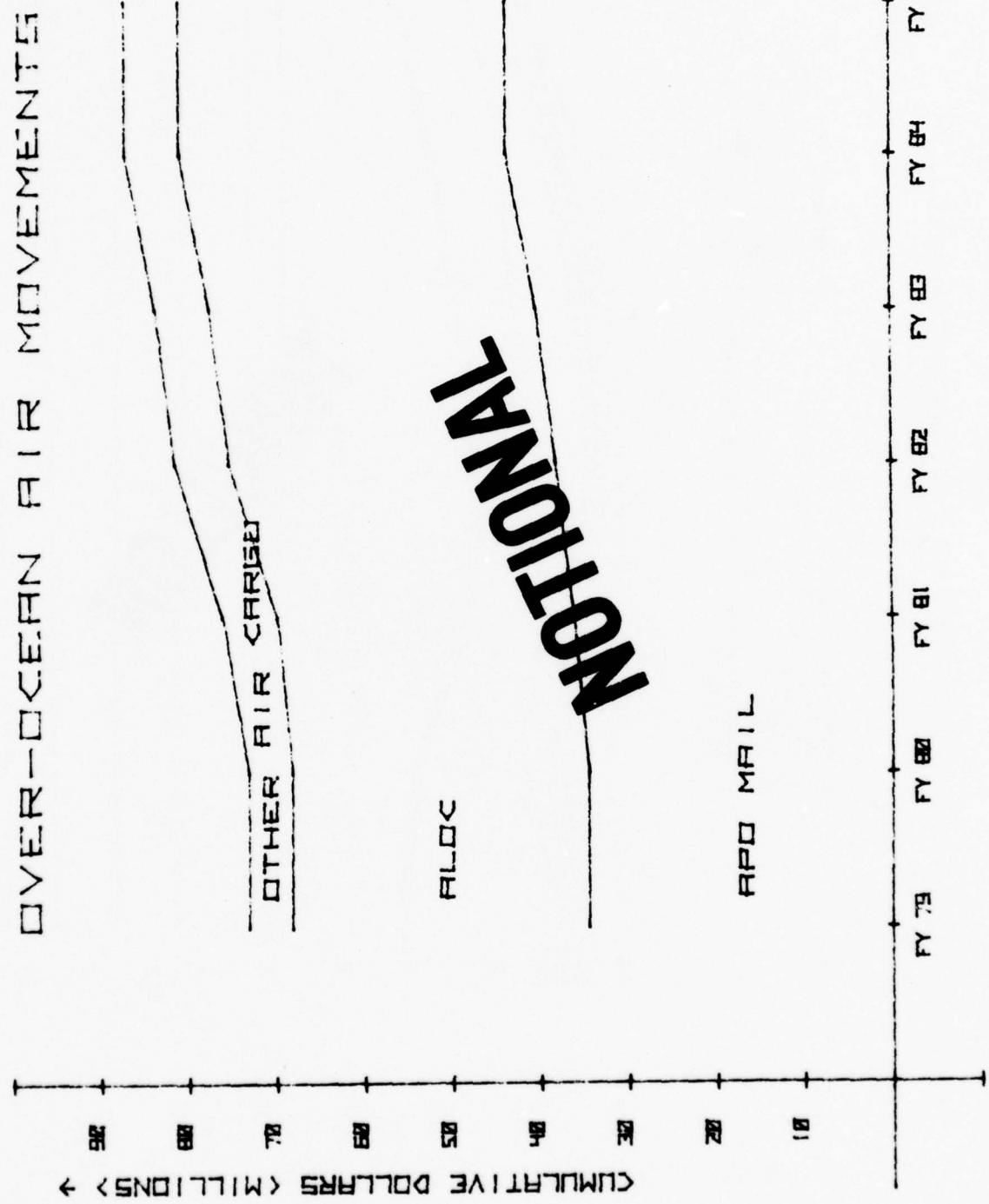


Figure 4-3

OVEROCEAN AIR & SURFACE SDT PROGRAM
FY 81-85 POM
STRATIFIED BY PURPOSE

- | | |
|--|--------------------|
| 1 Troop subsistence | 8 TNG AMMO |
| 2 Commissary | 9 Other Sealift |
| 3 APO Mail | 10 Maj Item Repl |
| 4 ALOC | 11 Other Air Cargo |
| 5 AAFES | 12 PDIP War RES |
| 6 Stock Fund (less ALOC and subsistence) | 13 PDIP POMCUS |
| 7 PA Secondary | 14 PDIP AMMO |

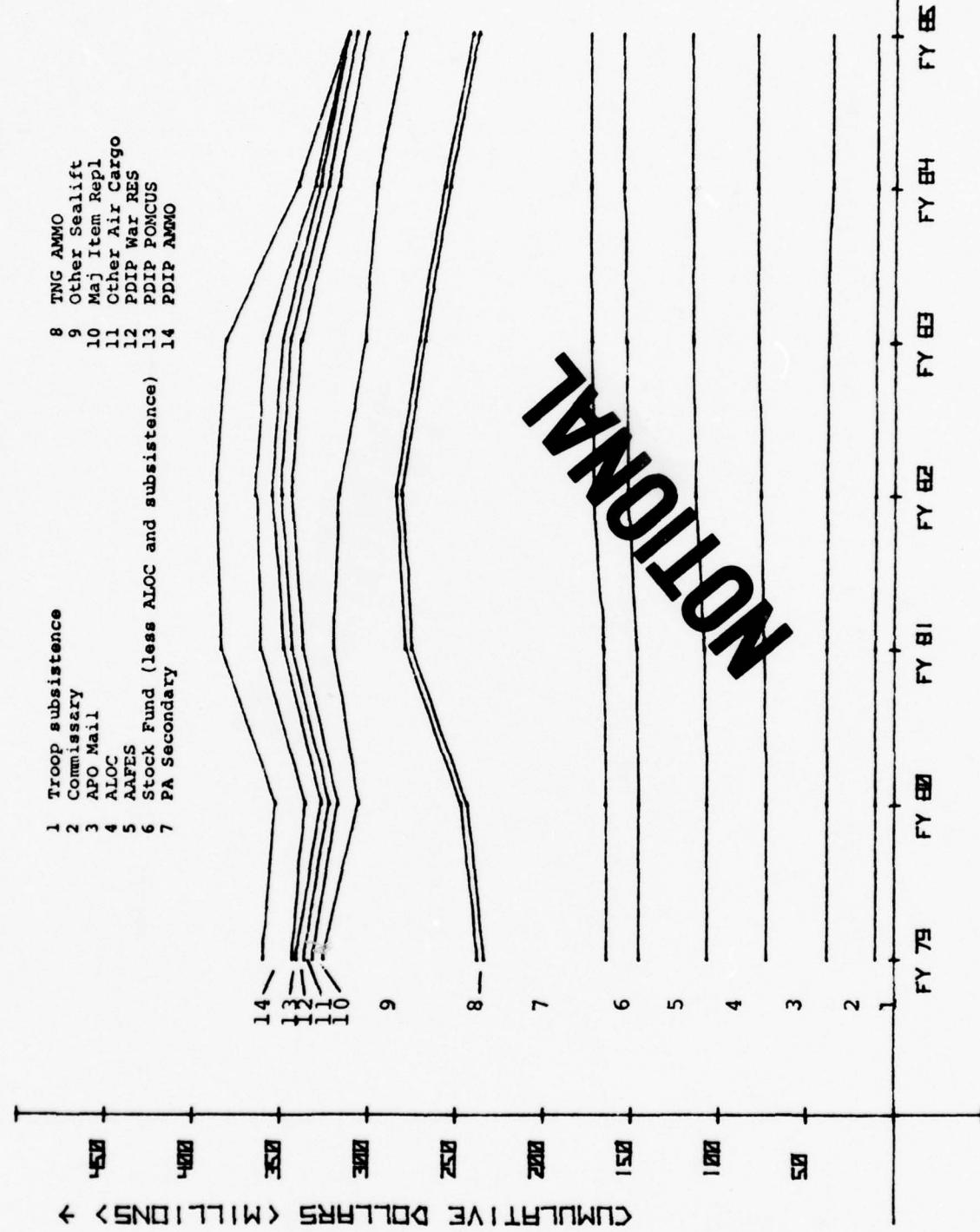


Figure 4-4

Section III. MANAGEMENT AND CONTROL IMPROVEMENTS

4-9. MANAGEMENT AND CONTROL IMPROVEMENTS.

a. Permanent change of station (PCS) moves of Department of the Army Civilians (DACs).

(1) It is believed that the original intent for centralized funding at USAFAC was to pay the TOAs for costs incurred for shipment of personal property or travel of DACs via the DTS. However, with the advent of Category Z passenger travel and later the less than Category Z travel Transportation Request (T/R), the funding for such travel became a bit confusing. AR 37-100-XX series was changed to authorize charges for Category Z or less than Category Z to S12121 and an accounting classification for such charges was published. Since all overocean travel via commercial T/R or the DTS was centrally funded, the AR 37-100-XX series was later amended to authorize charges for the portion of overocean travel costs incurred by DACs who elected to travel at their own expense on US flag carriers and be reimbursed. All other transportation and travel charges are the responsibility of the gaining or losing organization. The existing procedure results in two accounting classifications being cited in the individuals' travel orders, which leads to misunderstanding by travel order issuing agencies, as well as improper fund citations on T/Rs, government bills of lading (GBLs), and travel vouchers.

(2) USAFAC receives erroneous charges because of the dual funding aspect. These are erroneous because USAFAC is not authorized to pay from the SDT account any charges for the following:

- (a) GBLs issued for personal property shipments.
- (b) T/Rs issued for CONUS travel.
- (c) Overseas passenger travel warrants.
- (d) Bills for nontemporary storage of baggage or household goods.
- (e) Travel vouchers for advanced travel, per diem, or mileage.
- (f) Fees connected with real estate sales/purchases.

(3) To preclude the citation of dual accounting classifications, the present funding arrangements should be changed to require the gaining or losing organizations to finance all travel via Category Z or less than Category Z, as well as the overocean travel costs where DACs elect to travel at their own expense and be reimbursed. This would leave SDT central funding at USAFAC for civilian PCS for transportation costs incurred via the DTS (MAC, MSC, and MTMC). The accounting classification cited in AR 37-100-XX series for such travel would be deleted. Only the accounting classification of the gaining or losing organization would be shown in travel orders with appropriate TACs and CICs.

(4) It is recommended that DALO-RMB initiate action with COA to accomplish the corrective actions noted above. (Suspense: 30 January 1979.)

b. Use of invalid or improper TACs or CICs.

(1) This is a "people" problem rather than a procedural one. There are errors which occur at the time and place where the TAC or CIC is assigned or upon input to or within the TOAs. Research is required to adjust invalid TACs and to resolve automatic reimbursement billings that are rejected by parties billed because the transactions cannot be identified.

(2) Corrective action to emphasize proper use of MILSTAMP and ARs 59-21 and 37-26 in the assignment of appropriate TACs and CICs associated with transactions entering and moving through the DTS has been taken by DALO-TSP. Such emphasis should continue on a recurring basis to minimize coding errors.

(3) It is recommended that DALO-TSP include this topic as an item of interest in the next Transportation Movements Guide, DA Circular 55-series, as currently planned. (Suspense: Action taken.)

(4) It is further recommended that DALO-TSP bring this problem to the attention of TRADOC so that training at the appropriate service schools on the proper use of TACs can be emphasized. (Suspense: 31 January 1979.)

(5) It is also recommended that DALO-TSP request the Department of the Army Inspector General (DAIG) include the proper use of TAC and CIC as a special subject for inspection in future DAIG inspections. (Suspense: 28 February 1979.)

c. Military Sealift Command (MSC) billings.

(1) Detailed data is now being furnished on MSC billing tapes; however, the MECHTRAM output of accounting data to USAFAC is not usable. Manual conversion of TAC data from a hard copy bill is required to determine appropriate accounting classification for payment of the bill. Also, since detail is not available to USAFAC, complete data cannot be provided to parties billed for automatic reimbursements. This relates to the problems discussed in paragraph b above in that MSC billing documentation does not contain detailed line item information needed by the customer or USAFAC to determine the proper TAC.

(2) It is recommended that USAFAC request MSC to provide the needed data direct to USAFAC as a part of their routine billings. (Suspense: 31 January 1979.)

(3) During the evaluation, a copy of a recent MSC MECHTRAM billing tape was provided to USAFAC as a possible means of resolving this problem. The intent was that USAFAC examine the feasibility of creating a simple automated method for researching and challenging exception billings. It is recommended that USAFAC initiate such action and provide a plan of action to Director of OMA (DACA-OM) and DALO-RMB. (Suspense: 31 March 1979.)

d. Military Traffic Management Command (MTMC) billings.

(1) Detailed data is now being furnished on MTMC billing tapes; however, the MECHTRAM output of accounting data to USAFAC is not usable because billings are received from two operational areas (Eastern and Western areas) and MECHTRAM data is consolidated. Additionally, there is no distinction made on direct billing transactions or transactions for others (TFO) billings on the MTMC input to MECHTRAM. Manual conversion of TAC data from each hard copy bill is required to determine appropriate accounting classification for payment of the bill.

(2) It is recommended that USAFAC in coordination with DALO-TSP request that MTMC segregate TFO and direct billings by operational area on the billing tapes provided to USAMSSA. MECHTRAM would provide the output accordingly. (Suspense: 31 January 1979.)

(3) It is further recommended that DALO-TSP take action to modify the MECHTRAM system so that output accounting data provided to USAMSSA identifies TFO or direct bills by Eastern and Western areas. MECHTRAM would provide the output accordingly. (Suspense: 31 March 1979.)

e. CONUS Line Haul Forecasting.

(1) Our review of MACOM Command Operating Budget Estimate (COBE) submissions, dated July 1978, disclosed that information relating to SDT requirements was very general in nature. Basically, the information consisted of number of short tons to be shipped by CONUS line haul and dollar costs. This general information cannot be used to justify and support the SDT budget.

(2) More definitive guidance relative to the complexities of forecast development would provide MACOMs/agencies the necessary degree of discipline to provide a supportable estimate for SDT. Development of more specific detail will probably require application of more resources by the MACOMs to provide a supportable estimate.

(3) It is recommended that DALO-RMB in coordination with DALO-TSP task the MACOMs/agencies to provide such information as type items to be shipped; purpose and justification for shipping the items; destination of shipment; average number of short tons per shipment; number and dollar value of SDT for each shipment; and any other information deemed necessary for the program manager to develop a supportable budget. For example: If certain shipments are emergency in nature and cannot be projected or quantified, it should be so stated. (Suspense: DALO-RMB, 31 March 1979.)

f. Control of Program 7 (PE 728010) SDT funds at MACOM level.

(1) SDT funds are controlled at MACOM level in a manner similar to the following system used at TRADOC.

(a) Program 728010 funds are suballocated to installations based on historical performance adjusted upward or downward for known changes. Due to the inability of the installation to accurately project annual requirements because of factors beyond their control, the MACOM retains a percentage of the DA allocation as undistributed. As unforeseen requirements arise beyond an

installation's capability to fund, additional funds are provided from MACOM undistributed resources after the requirement has been justified and analyzed. This PE is one of those listed in the TRADOC Status of Operating Resources (RCS ATRM-2(R1)) provided monthly by reporting installations. This report provides the MACOM management data of obligations incurred and those projected for the remaining months of the program year as well as workload data. Abnormal deviations from that programmed are investigated and appropriate adjustments are made between the reporting installation and the MACOM by using the undistributed funds.

(b) This system has proven successful. It enables TRADOC to manage available PE 728010 funds with a minimum of effort.

(2) It is recommended that the control of SDT funds at the MACOM level remain unchanged.

g. Concept for funding targets.

(1) The DA staff is currently coordinating a new fund control concept whereby targets will replace authorizations. If a funded activity exceeds its target, it would not violate Revised Statute 3679. Violations would only occur at the appropriation level; e.g., OMA. This new concept, if approved and implemented, should be considered when evaluating the necessity and cost effectiveness of project recommendations. Implementation is tentatively scheduled for February 1979.

(2) It is recommended that DALO-RMB continue to coordinate this action for the DCSLOG, and if approved and implemented, evaluate the impact on project recommendations.

CHAPTER 5

IMPROVED SYSTEM (LONG TERM)

Section I. TRANSPORTATION WORKLOAD FORECASTING

5-1. IMPROVEMENTS TO MECHTRAM. The Transportation Management Division (DALO-TSP) dispatched a message to worldwide forecasters in early November requesting that they review AR 55-30, Space Requirements and Performance Reports for Transportation Movements, with particular emphasis on the importance of applying zero base budgeting at HQDA. They further solicited comments which would enhance the procedures in AR 55-30 with a goal of better management of transportation requirements. Responses have been received from the forecasting activities and are currently being evaluated by DALO-TSP. It is recommended that DALO-TSP complete this evaluation and prepare a draft revision to AR 55-30 if required. (Suspense: 31 March 1979.)

5-2. TOTAL ARMY EQUIPMENT DISTRIBUTION PROGRAM (TAEDP).

a. TAEDP had its inception in 1975 and has been developed in two phases. Phase I was the equipment distribution plan to support the FY 78-82 POM through the current POM, FY 80-84. Phase II will be the Total Army Equipment Distribution Program.

b. The overall objectives of the program are:

(1) To achieve and maintain the most effective distribution of PA major items of equipment to support the readiness objectives of the total Army force.

(2) To control equipment so that it is distributed within priorities set forth by the DA Master Priority List. These controls must ensure that equipment is available for current unit, prepositioned and war reserve requirements, and to meet needs resulting from force changes, reorganizations, and other actions affecting equipment authorizations and requirements.

(3) To provide an integrated management program with timely preparation and dissemination of the Army Equipment Distribution Plan (AEDP) documents. These documents will be used by HQDA, the MACOMs, and the Materiel Readiness Commands (MRCs) in the final planning and coordination for distribution of major items to the Unit Identification Code (UIC) level. This includes the AEDP support for requisition validation by the Materiel Management Centers (MMCs), installations, and the MRCs.

(4) To achieve maximum interface between the planning and programming phase of the Army Planning, Programming, Budget System (PPBS), the Army Materiel Plan (AMP), and the AEDP.

(5) To provide for timely and accurate distribution displays and analysis of HQDA decisions or proposals concerning changes in force structure and priorities, procurement programs, depot maintenance programs, and distribution programs.

(6) To provide an audit of HQDA-approved distribution program execution to identify what changes occurred and to portray the impact of these changes.

(7) To control distribution programs to achieve area standardization of type classified standard (STD) and contingency (CON) major items of equipment where feasible.

c. Phase I does not fully satisfy the stated objectives nor does it have the detailed item coverage that Phase II will have. Statistical data for Phase II are:

(1) Item coverage: 7000 LINs, 8600 NSNs.

(2) Claimant coverage: 10,000 units (the entire field Army).

(3) File size: TAEDP base computational file, 500,000,000 characters.

(4) Output displays: 40 products.

(5) Customers: 12 MACOMS, 6 MRCS, DA Staff (ODCSLOG, ODCSOPS, ODCSRDA), DARCOM Staff.

d. For the purposes of this evaluation, the most important aspect of TAEDP is its interface with the Army Planning, Programming and Budget System and its related interface support to the DARCOM overocean transportation forecasting program. These interfaces are depicted on Figure 5-1 and are summarized below:

(1) The TAEDP system will interface with the force planning and programming cycles of the Army PPBS and provide the approved AEDP at different intervals during the year. TAEDP will portray the distribution of major items in priority sequence for use by the MRCS and the MACOMs in final planning, coordination, and distribution of equipment to the UIC level.

(2) The TAEDP will provide validation product support to the overseas theater Materiel Management Centers (MMCs) and CONUS installations authorized to requisition direct to Materiel Readiness Commands (MRCS). Validation of requisitions will prevent the submission of unauthorized or invalid requirements to the MRCS. The MRCS will also be provided with validation products to assist in screening requisitions for valid requirements and determining the correct distribution priorities based on the Department of the Army Master Priority List/Department of the Army Programmed Priority List (DAMPL/DAPPL) sequence

(3) The TAEDP provides interface support to HQDA and to the TRADOC Five Year Training Equipment Program requirements.

(4) The TAEDP will provide DARCOM with the ability to integrate equipment distribution projections in the overseas transportation requirements forecasting program.

e. Depot Systems Command (DESCOM), the system design agency, is in the final stages of system development and program test and have already begun the system integrated test. They plan to prototype the system in mid-March 1979.

with a single MACOM (FORSCOM using two of its installations, Fort Carson and Fort Stewart) and a single MRC (ARRCOM). The prototype test plan has been approved by HQDA and assuming there are no major system impacts, DESCOM should then be in a position to implement TAEDP worldwide.

5-3. CCSS APPLICATION. An overocean cargo forecasting application has been designed for the DARCOM Commodity Command Standard System (CCSS). The application enables CCSS to accept and manipulate TAEDP data. The establishment of a transportation history file will enhance the value of the information produced by the system. In view of the potential benefits which can accrue across all aspects of the SDT field, creation of such a history file is needed. It is recommended that DARCOM initiate action to establish the transportation history enhancement to CCSS. (Suspense: 30 June 1979.)

Section II. PROGRAM/BUDGET DEVELOPMENT

5-4. REFINEMENTS TO METHODOLOGY.

a. Greater knowledge of the distribution and movement of weight significant PA secondary items will enhance both forecasting and program/budget efforts. However, improvements anticipated from TAEDP Phase II output are limited to major item distribution actions. It is possible that data currently available within DARCOM can provide the required information; e.g., DARCOM Quarterly Performance Review, major items and PA secondary. It is recommended that DARCOM examine this area and advise DALO-TSP if better PA secondary item data is available. (Suspense: 31 January 1979.)

b. As the TAEDP data flow is refined and stabilized and as the results of the enhancements to the DARCOM CCSS begin to generate better historical data, it is reasonable to predict that program development should be able to identify discretely the SDT required to support a force package or a PDIP. The methodology proposed herein is limited by the amount of detail available and the willingness and ability to expend manpower resources to manipulate it. It is recommended that DALO-RMP examine the use of additional data to be made available as noted above and propose further refinements to ensure effective integration into the PPBS process. (Suspense: 31 October 1979.)

c. There should be clear understanding between the functional and resource staffs of who will do what during each phase--program development, budget, and execution. The entire ODCSLOG staff may be involved. In the program and budget phases the functional staff must support the resource staff with its functional expertise; however, the resource staff must retain the wide vision of the Army staff as they portray the functional needs. The resource and functional staffs must work together as they refine and adjust during the execution phase.

Section III. MANAGEMENT AND CONTROL

5-5. FUND CONTROL.

a. General. USAFAC pays the bills and performs fund accounting and reporting, but has no managerial control over the obligation of funds allocated. Also, current management information systems do not provide for reporting detailed obligation data at the time the obligations are incurred. Management rests with the program manager in DCSLOG who provides bulk obligation estimates for recording in the accounting records. Although not an open allotment, the system primarily functions like an open allotment in that obligations are established from forecasted moves, in bulk, and each transaction paid cannot be tracked to the specific move to which the obligation pertains. This is a major weakness in the current system which can lead to potential over obligations.

b. Alternatives. The following alternatives were considered:

(1) Alternative 1. Provide funding to the level where obligations for overwater transportation are incurred and have the DTS bill the funded activity. This would permit specific obligations to be recorded by the funded activity against which DTS billings could be related upon payment.

(2) Alternative 2. Establish an open allotment administered by DCSLOG. USAFAC would continue its current practice; however, the management of this open allotment would be directly identified to the DCSLOG.

(3) Alternative 3. Continue the current system with modifications and enhancements to provide an input of obligation data at the point the Transportation Control Number (TCN) is assigned to the Transportation Control and Movement Document (TCMD). This file would serve as the obligations incurred file. At the point of payment a computer match would be made of payment data to obligation data and adjustments would be made as necessary. An accurate position would be achieved for SDT funds as required by regulation and statute. This would, of necessity, be a long-range solution dependent on USAFAC Automatic Data Processing Equipment (ADPE) hardware acquisition and software system development and would require COA and DCSLOG participation.

c. Consideration of alternatives.

(1) Alternative 1 represents total decentralization of the SDT funds for reimbursement of the TOAs. An in-depth analysis could not be conducted within the time frame of the evaluation. However, initial examination of the proposal identifies several impact areas.

(a) A shift of funds and personnel spaces to each of the MACOMs would probably be required (agencies involved would require additional financial management analysts and probably additional computer support). Approximately 3.5 man-years are now utilized at USAFAC for this effort. It is obvious that far more man-years would be needed throughout the various MACOMs. Certain workload would likely continue at USAFAC, so only 1 to 2.5 man-years could be made available to support such a shift.

(b) The impact upon the financial and administrative activity of the TOAs would probably be the greatest obstacle. As industrial fund activities, the corpus of the fund is built upon cash flow and OSD has emphasized the need for responsive reimbursements. If the TOAs extended their billing activities to the many MACOMs/agencies involved, the billing transactions and the accounts receivable cycle could only increase.

(c) Because of the above problems, alternative 1 was rejected.

(2) Alternative 2 offers no real gain in control and was also rejected.

(3) Alternative 3 is deemed to be the best and the one that has the potential for providing the desired and required fund control.

d. Recommendations. It is recommended that USAFAC, in coordination with COA and DCSLOG, perform a detailed feasibility study to include a cost effectiveness analysis of alternative 3, above. Contractual support may be considered. (Suspense: 31 December 1979.)

5-6. FREIGHT MOVEMENT CONTROL SYSTEM (FMCS).

a. Although SDT fund expenditures within CONUS are not the primary interest of this evaluation, one MTMC effort currently ongoing will increase the efficiency with which SDT funds are expended in CONUS. Specifically, this effort is the development of the FMCS. FMCS is an automated traffic management system which, once on line, will allow direct savings through the identification of large shipments appropriate for volume movements negotiations, additional shipment consolidations, identification of habitual system abusers, and more timely and accurate route selection. Additional indirect SDT fund savings will accrue through reduced costs of MTMC traffic management mission performance. Currently the development of FMCS is in the general functional system requirements (GFSR) stage.

b. It is recommended that MTMC complete and submit the GFSR to Logistics System Division (DALO-PLS) with a copy to Transportation Management Division (DALO-TSP). (Suspense: 31 March 1979.)

5-7. REVISION OF AR 37-7.

a. AR 37-7, "Funding for Commercial Line Haul Transportation Within CONUS Under the Appropriation 'Operations and Maintenance, Army'" (last published in February 1969) covers funding for commercial line haul transportation within CONUS under OMA. Efforts to update this regulation last year revealed that line haul was only the tip of the iceberg. There is a need for an Army regulation that would cover the entire SDT area as well as first destination transportation. In June 1978 the first draft of an Army regulation to include policy and instructions on all SDT funding was accomplished. The provisions in AR 37-7 are included. However, because of the provision in the FY 79 Appropriation Act transferring first destination transportation funding from procurement appropriations to the operation and maintenance, Army (OMA) appropriation, further review and revision of the draft AR will be required.

b. It is recommended that COA revise the draft AR and staff with HQDA.
(Suspense: 31 January 1979.)

5-8. STANDARD BILLING FORMAT. An ongoing action within DOD but external to this evaluation can be expected to provide long-term management and control benefits. In November 1977, the Assistant Secretary of Defense (ASD) (MRA&L) directed the development of a standard transportation billing format. Transportation Management Division (DALO-TSP) and USAFAC, both participants on the task group, have advised that the Army needs have been satisfied thus far. The task group recommendations were submitted to ASD(MRA&L) 2 November 1978. No decision has been announced.

5-9. MANAGEMENT INDICATORS.

a. In addition to standard cost and performance reports and reports of obligations and expenditures, additional tools can be developed to help the program manager track SDT funds during execution. The rationale is that if materiel is distributed as programmed, SDT funds will be expended as programmed.

b. At present, there is no routine procedure at HQDA for tracking major item distribution. TAEDP Phase II output and the recommended enhancements to the DARCOM CCSS (para 5-3) should provide sufficient data about distribution activity and that related SDT funds have been or soon will be expended.

c. As with major items, there is presently no routine procedure for tracking PA secondary items distribution. The recommended examination of this area by DARCOM (para 5-4a) may reveal such a data source.

d. The Army Ammunition Plan, along with other reports and controls, provide a good basis for predicting SDT fund expenditure.

e. Stock fund items, which were stratified by the dollar value of predicted purchases, can be tracked by examining actual sales activities by the appropriate SF. If the proposed methodology is adopted (chapter 4, section II) routine reports of SF transactions can serve as the basis for predicting upcoming SDT expenditures. It is recommended that the Stock Fund Division (DALO-RMI) develop and provide to the Budget Division (DALO-RMB) the data necessary to predict SDT fund expenditures for both DARCOM and DLA SF transactions. (SUSPENSE: 28 February 1979.)

5-10. DEFENSE INTRANSIT ITEM VISIBILITY SYSTEM (DIIVS).

a. DIIVS is a proposed DOD logistics information system which is now in the functional concept stage. The concept is the first part of a study directed by ASD (MRA&L), whose overall objective is to determine whether or not the DIIVS is economically justified.

b. The prime purpose of DIIVS is to provide timely and accurate information on the identity, status, and location of DOD supply items or shipments in the logistics pipeline. Users of such information will include customers and logistics managers at all levels. Three features are basic to the DIIVS:

- (1) It will be the primary DOD repository of supply and transportation information relating to intransit visibility.
 - (2) It will serve logistics pipeline information needs of the military services and agencies without abridging their decision prerogatives.
 - (3) It will be able to handle not only the normal peacetime logistics environment, but also logistics surges such as those characteristic of contingencies.
- c. The system will cover all commodities and shipments subject to MILSTRIP, MILSTAMP, and MILSTRAP including subsistence, packaged petroleum, and those personal property and nonappropriated fund exchange merchandise shipments which move in the Defense Transportation System (DTS). Also, the system will monitor the location and disposition of containers apart from their contents.
- d. Coverage will include all modes of shipment with varying degrees of coverage depending on the mode. For example: Cargo manifest, receipt/lift data will afford relatively close visibility of export ocean and air shipments. Less visibility will be available for parcel post shipments with no transactions reported between shipment and ultimate consignee receipt.
- e. DIIVS will not cover local issues, bulk commodities, nor will it include personal property and nonappropriated fund exchange merchandise shipments which do not move in the DTS.
- f. If implemented, the system will lead to significant improvements in the management of supply and transportation costs.

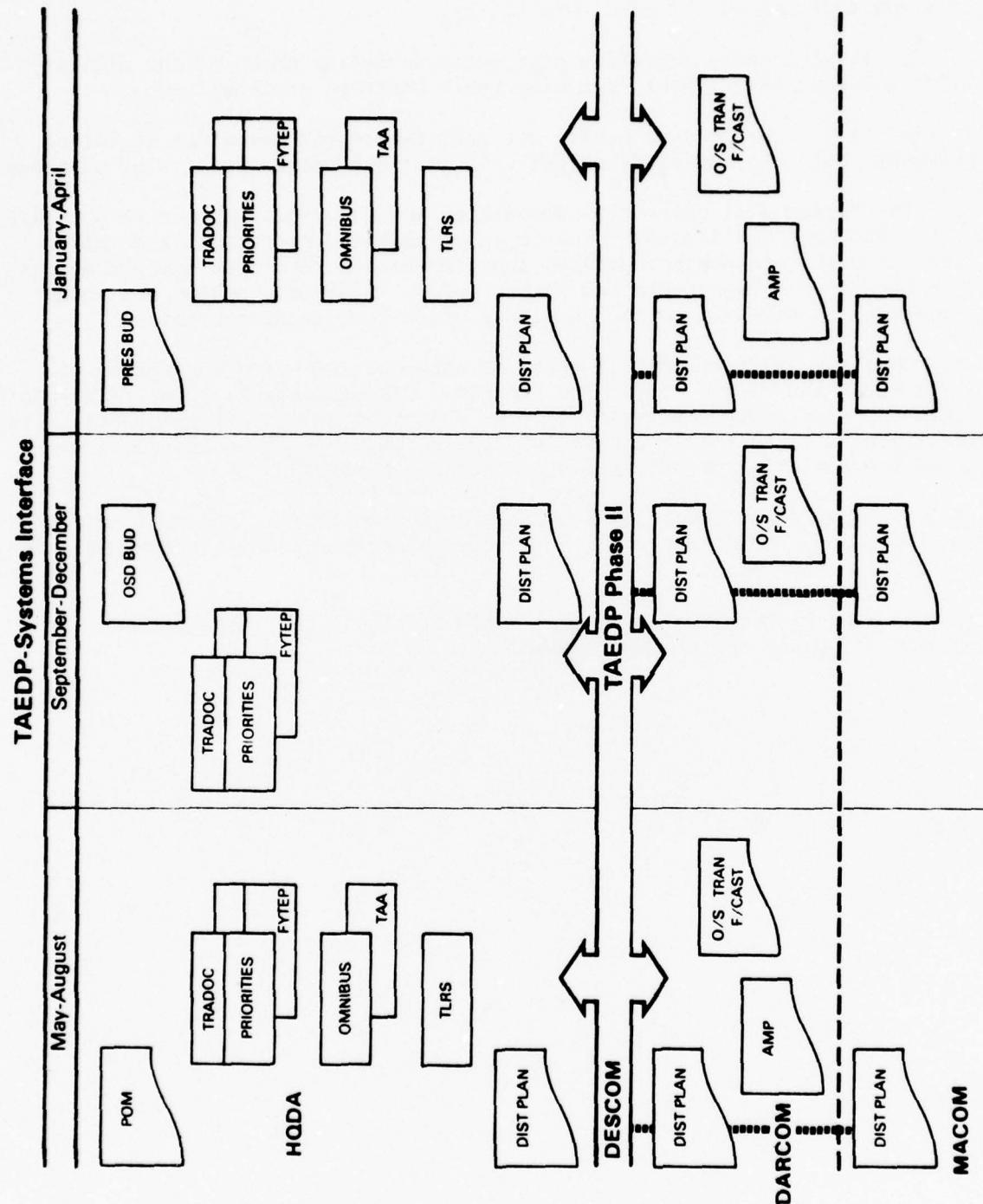


Figure 5-1

CHAPTER 6

SUMMARY OF RECOMMENDATIONS/ACTIONS TAKEN

Section I. ACTIONS TO BE ACCOMPLISHED

6-1. TRANSPORTATION WORKLOAD FORECASTING.

- a. Provide detailed instructions to the MACOMs for filling out the Summary of FY 81-85 Transportation Requirements (Format VI-E-10-C) (para 4-3b). ACTION: DALO-RMB. SUSPENSE: 31 January 1979.
- b. Review MECHTRAM forecasts to insure that major issues affecting SDT are considered prior to program and budget development (para 4-3d). ACTION: DALO-TSP. SUSPENSE: Upon receipt of forecasting input in support of the POM (15 December), the budget (1 June), and the Annual Obligation Plan (1 October).
- c. Complete staff evaluation of improvements to MECHTRAM and revise AR 55-30 if required (para 5-1). ACTION: DALO-TSP. SUSPENSE: 31 March 1979.
- d. Initiate action to establish the transportation history enhancement to CCSS (para 5-3). ACTION: DARCOM. SUSPENSE: 30 June 1979.

6-2. PROGRAM AND BUDGET DEVELOPMENT.

- a. Implement near term methodology portrayed in chapter 4, section II. ACTION: DALO-RM. SUSPENSE: FY 81-85 POM schedule.
- b. Examine DARCOM data files for information on PA Secondary Items and advise DALO-TSP (para 5-4a). ACTION: DARCOM. SUSPENSE: 31 January 1979.
- c. Examine the use of additional data to be made available when TAEDP and CCSS enhancements are implemented (para 5-4b). ACTION: DALO-RMP. SUSPENSE: 31 October 1979.

6-3. MANAGEMENT AND CONTROL.

- a. Implement action with DACA to eliminate dual accounting classifications for Department of the Army Civilian (DAC) PCS movement (para 4-9a(4)). ACTION: DALO-RMB. SUSPENSE: 31 January 1979.
- b. Recommend that training at appropriate TRADOC service schools on the use of TAC be emphasized (para 4-9b(4)). ACTION: DALO-TSP. SUSPENSE: 31 January 1979.
- c. Recommend that DALO-TSP request the DAIG include the proper use of TAC and CIC as a special subject for inspection for future DAIG inspections (para 4-9b(5)). ACTION: DALO-TSP. SUSPENSE: 28 February 1979.

d. Recommend needed billing data be requested from MSC (para 4-9c(2)).
ACTION: USAFAC. SUSPENSE: 31 January 1979.

e. Recommend MTMC be requested to segregate TFO and direct billings by operational area (para 4-9d(2)). ACTION: USAFAC. SUSPENSE: 31 January 1979.

f. Recommend MECHTRAM MTMC output be modified to reflect TFO or direct bills by operational area (para 4-9d(3)). ACTION: DALO-TSP. SUSPENSE: 31 March 1979.

g. Recommend that the feasibility of a simple automated bill challenging procedure be examined (para 4-9c(3)). ACTION: USAFAC. SUSPENSE: 31 March 1979.

h. Recommend that more definitive guidance be provided to MACOMs for SDT line haul submissions (para 4-9e(3)). ACTION: DALO-RMB. SUSPENSE: 31 March 1979.

i. Recommend that DALO-RMB continue to coordinate the concept for funding targets and, if approved, evaluate the impact on project recommendations (para 4-9g(2)). ACTION: DALO-RMB. SUSPENSE: On-going.

j. Recommend a detailed feasibility study of a conceptual automated obligation system be performed (para 5-5d). ACTION: USAFAC in coordination with COA and DCSLOG. SUSPENSE: 31 December 1979.

k. Recommend that a GFSR for the Freight Movement Control System be submitted to DALO-PLS (para 5-6b). ACTION: MTMC. SUSPENSE: 31 March 1979.

l. Recommend that draft AR 37-7 be completed and staffed with HQDA (para 5-7b). ACTION: DACA. SUSPENSE: 31 January 1979.

m. Recommend DALO-RMI develop and provide the necessary data to DALO-RMB, for both DARCOM and DLA SF transactions, to predict SDT fund expenditures (para 5-9e). ACTION: DALO-RMI. SUSPENSE: 28 February 1979.

Section II. ACTIONS ACCOMPLISHED DURING THE COURSE OF THE EVALUATION
(FOR DETAILS, SEE APPENDIX C OR REFERENCE)

6-4. TRANSPORTATION WORKLOAD FORECASTING.

a. USAFAC's role in SDT forecasting was reviewed. It was concluded they have no role (para C-1e).

b. MECHTRAM data sources were reviewed to insure that all SDT fund claimants are accounted for. It was concluded that all are accounted for (para C-2).

c. A review of materiel fielding plans as a possible source of SDT forecasting data was conducted. It was concluded that the plans should not be used for this purpose (para C-3d).

d. A review of DARCOM's CONUS line haul forecasting procedures was made. It was concluded that current procedures are adequate and accurate (para C-4d).

e. Dates for MECHTRAM forecasting to support the program and budget cycle have been established (para 4-1).

f. The requirement for a 5-year forecast to support the FY 81-85 POM has been established (para 4-2a).

g. DARCOM surveyed their subordinate commands seeking methods to improve cargo forecasts. The consensus was that TAEDP offers the best potential (para 4-2b).

h. Improved DCSLOG input to the program and budget guidance was distributed in November 1978 (para 4-3a).

i. As a near term forecasting improvement, DARCOM is obtaining lists of items which have transportation significance and which will influence the FY 81-85 POM (para 4-3c).

6-5. PROGRAM AND BUDGET DEVELOPMENT.

a. The TOA's role in SDT programming and budgeting actions was reviewed. It was determined that the TOA's only have an indirect role in SDT programming and budget actions whereby they provide information on rates and tariffs (para C-5).

b. PA secondary item tonnages to influence program methodology were obtained from DARCOM (TARCOM) (para 4-7b).

c. Coordination was effected between DALO-RMB, DALO-TSP, and DLA on subsistence data for POM/budget submission (para 4-7d).

d. Stock fund "Orders Placed Data" and conversion factors for DARCOM and DLA SF transactions were obtained from DALO-RMI for use in POM methodology (para 4-7g).

6-6. MANAGEMENT AND CONTROL. Centralization versus decentralization of SDT funding was examined. It was determined that decentralization below the MACOM-USAFAC level is not feasible (para 5-5). (Also, see para 6-3i above.)

APPENDIX A

TASKING LETTER



DEPARTMENT OF THE ARMY
OFFICE OF THE ADJUTANT GENERAL AND THE ADJUTANT GENERAL CENTER
WASHINGTON, D.C. 20314

HQDA Ltr 37-78-2

DALO-RMB (M)(22 May 78)

31 May 1978

Expires 31 May 1979

SUBJECT: Evaluation of Second Destination Transportation
Funding (US Army)

SEE DISTRIBUTION

1. PURPOSE. This letter provides for the conduct of an evaluation to determine effective means of managing and controlling transportation funds used for second destination movement of materiel within the Defense Transportation System (DTS).

2. PROJECT TITLE. Evaluation of Second Destination Transportation (SDT) Funding (US Army).

3. REFERENCES.

a. AR 37-100-79, Financial Administration, The Army Management Structure (AMS).

b. AR 55-30, Transportation and Travel, Space Requirements and Performance Reports for Transportation Movements.

c. LMI Task 75-4, Second Destination Transportation.

d. First Destination Transportation Funding Study, contract DAAG 39-77-C-0119, 3 March 1978.

4. BACKGROUND.

a. During past budget discussions, questions arose regarding the bases and concepts of SDT. Areas of concern included forecast projections, reimbursements, review processes, requirements data, level of funding, and control of such funding.

b. Increased Department of the Army (DA) staff attention has recently focused on enhancing the efficiency of management and operation within the area of SDT funding.

5. PROJECT SPONSOR. Office of the Deputy Chief of Staff for Logistics, HQDA (DALO-RMB).

6. PROJECT AGENCY. The evaluation will be accomplished by the US Army Logistics Evaluation Agency (USALEA), located at New Cumberland Army Depot, New Cumberland, PA 17070.

7. TERMS OF REFERENCE.

a. Problem. To determine if the current policies and procedures for SDT funding programs are responsive for the most efficient management at DA level.

b. Purpose.

(1) The requirements within the SDT funding evaluation effort are to:

(a) Determine the appropriate level of command to which SDT funds to support DTS services should be distributed.

(b) Ensure effective and efficient management of available funds.

(2) It is envisioned that the evaluation effort will develop/revise the management plan for forecasting, budgeting, billing, and performance reporting procedures applicable to Army SDT services received from the DTS.

c. Evaluation objectives.

(1) Determine a satisfactory and effective means of managing and controlling transportation funds used for second destination movement of materiel within the Army.

SUBJECT: Evaluation of Second Destination Transportation Funding (US Army)

(2) Ascertain if SDT funds, currently centralized at US Army Finance and Accounting Center (USAFAAC), could be decentralized and distributed to the Army command/agencies which forecast requirements and interface with the DTS.

(3) Consider, as a minimum, three alternatives: (a) applicability of the present centralized system; (b) enhancement/modification of the present system to cause it to be more viable; (c) development of a command-oriented system. Funded reimbursement procedures must be included in each alternative.

(4) Evaluate cost and benefits associated with the three alternatives reviewed using the present centralized system as the base.

(5) Examine and recommend alternative levels of command to which Transportation Operating Agencies (TOAs); i.e., MAC, MSC, MTMC, should distribute billings to recoup SDT funds to support the DTS.

d. Scope. The evaluation will be limited to Army-wide budgeting, accounting, and resource management applicable to the Army SDT funding program as it relates to the movement of Army materiel only. Reimbursable foreign military sales and stock fund shipments will not be addressed.

e. Limitations. The evaluation effort will be limited to concepts supported by procedural data as well as supportable conclusions and recommendations.

f. Time frame. Any actions which can be accommodated in the FY 81 budget will be addressed as early as possible during the evaluation. However, the major impact of this evaluation will be addressed in the FY 81-85 planning programs.

g. Assumptions.

(1) The TOAs will continue to be industrially funded.

(2) Requirements for information provided to HQDA level will continue to exist.

h. Models. There are no other current automated reporting systems applicable to this evaluation.

8. RESPONSIBILITIES.

a. Deputy Chief of Staff for Logistics (DALO-RMB) is responsible for exercising general staff supervision over the evaluation effort. The DCSLOG will designate an officer in grade 06 or civilian equivalent to serve as the Project Advisory Group (PAG) chairman.

b. Organizations which have an involvement in the evaluation of the subject matter are:

(1) Office of the Deputy Chief of Staff for Logistics (DALO-TRETS, DALO-SM, DALO-RM).

(2) Office of the Comptroller of the Army.

(3) USAFAC.

(4) US Army Materiel Development and Readiness Command.

(5) All other major Army commands (MACOMs).

c. Organizations listed in paragraph 8b will:

(1) Provide assistance to USALEA, as required. The degree of participation will vary for each organization.

(2) Furnish the name, address, and AUTOVON telephone numbers of designated points of contact for organizations listed in paragraph 8b to Commander, USALEA, ATTN: DALO-LEP (Mr. James F. Tuman or Mr. L. Lamar Sharp, AUTOVON 977-6551 by 16 June 1978.

d. A PAG is hereby established by the project sponsor (DALO-RM) to ensure that the purpose, scope, objectives, conclusions and recommendations are adequately addressed. PAG membership will be comprised of a representative from Office of the Deputy Chief of Staff for Logistics (DALO-RM (chairman) and DALO-TRETS), Office of the Comptroller of the

SUBJECT: Evaluation of Second Destination Transportation Funding (US Army)

Army, Military Traffic Management Command, US Army Finance and Accounting Center, US Army Materiel Development and Readiness Command, US Army Training and Doctrine Command, US Army Communications Command, Health Services Command, and US Army Forces Command. Names of PAG members will be provided to ODCSLOG, ATTN: DALO-RMB (Mr. S. A. Longo, OX7-3095, AUTOVON 227-3095) by 19 June 78. PAG meetings will be held at the chairman's direction.

e. The project agency is authorized direct contact with all staff agencies and organizations involved in the evaluation effort and is authorized to task appropriate organizations indicated in paragraph 8b to provide assistance/representation, as required.

9. ADMINISTRATION.

a. Support.

(1) TDY, per diem, and all other associated costs necessary to the conduct of the evaluation will be funded by the parent organization of the individual(s) concerned.

(2) The project agency will provide administrative, clerical, and functional support, as required.

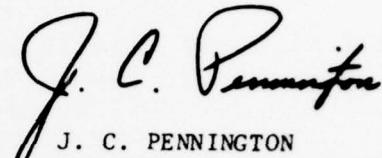
b. Milestone schedule. A project plan will be developed by the project agency. In-process reviews (IPRs) will be conducted as necessary. Draft of the final report will be staffed with all participating organizations. The final project evaluation report, as approved by the PAG, is due ODCSLOG by 15 December 1978.

c. Rescissions. This letter rescinds:

(1) DA letter, Office of The Adjutant General, 23 March 1977, subject: Second Destination Transportation Funding Study.

(2) DA letter, Office of The Adjutant General, 19 December 1977, subject: Second Destination Transportation Study.

BY ORDER OF THE SECRETARY OF THE ARMY:



J. C. PENNINGTON
Brigadier General, USA
The Adjutant General

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APPENDIX B

TRANSPORTATION SYSTEM AND FINANCIAL MANAGEMENT

B-1. As indicated in the Executive Summary, the project effort was to improve the management of second destination transportation (SDT) funds and to develop methods for presenting requirements for POM/budget submissions.

B-2. The following paragraphs were developed as educational/background data to portray the need, usage, and problems within the SDT program.

a. The primary purpose of SDT funds is to pay for distribution of Army materiel worldwide through the Defense Transportation System (DTS) after it has entered the supply system or is delivered to an air or water terminal.

b. The DTS is comprised of the Military Sealift Command (MSC), the Military Airlift Command (MAC) and the Military Traffic Management Command (MTMC) and includes commercial transportation companies working under the auspices of these commands.

c. These commands are commonly known as Transportation Operating Agencies (TOAs) and, in order that they may operate more effectively in the business world, are industrially funded. They function as the single managers of a particular transportation mode or function, act as the DOD interface with the commercial transportation community, negotiate rates and contracts, obtain the services, and pay the carrier bills.

d. There are two distinct uses for SDT funds--line haul movement and over-ocean movement, which includes CONUS port handling. The evaluation focused on overocean movement, CONUS port handling and related services, which accounts for about 80 percent of the SDT funds used. This is also the area where most of the difficulty is encountered in defining and portraying program/budget needs (tables 2-1 and 2-2 of the report depict the fund distributions generally found in a budget).

(1) Line haul movement, both in CONUS and overseas, moves materiel between depots, ports, and installations. Requirements are programmed in the Program Analysis Resource Review/Program and Budget Estimate (PARR/PABE) by the MACOM and later included in its command operating budget (COB).

(2) CONUS port handling includes the unloading, sorting, consolidating, and outloading of cargo at water terminals and the preparation of cargo documentation; e.g., ships manifests. The USA Finance and Accounting Center (USAFCAC) reimburses the MTMC industrial fund for these services from its budget.

(3) Overocean movement is paid for by the MAC or MSC industrial fund which is reimbursed by USAFCAC.

(4) Overseas port handling is not in the SDT program element and is excluded from this evaluation. Funds for this effort are programmed in the PARR/PABE by the operating command and later included in their COB.

e. Army SDT fund requirements are developed from workload forecasts required by the TOAs. The forecasts are designed around the needs of the TOAs for their budgets and their dealings with the commercial field. The terms, timing and content do not satisfy the program/budget cycle needs. However, the general form, frequency and timing of the forecasts must be retained to satisfy TOA requirements. The forecasts for Army-sponsored cargo are submitted through the MECHTRAM system by 16 MACOMs/agencies, some of which are non-Army; e.g., DLA, AAFES. Both long and short-range forecasts are submitted on schedules established by each TOA. The long-range forecasts are used for planning, rate negotiation, etc.; the short-range are used for operational scheduling and purchase of space (lift) from the carriers.

f. The sealift and airlift forecasts have one common feature. They are both oriented to a shipper service (Army) for workload and to an appropriation for revenue. Each one of 14 "cargo funding programs" provides the link to an appropriation; e.g., OMA; a special function of an appropriation; e.g., mail; or to a nonappropriated fund activity; e.g., Exchange Service. The OMA funds on which this effort focused are identified as the "Troop Support and All Other" cargo funding program (para 3-6b).

(1) Cargo terms are different but create a similar identity problem. Sealift forecasts require cargo to be identified with 12 surface commodity groups which conform to the TOA tariff and to commercial terms but usually fail to identify the specific item being shipped. For example, outsize items like tanks become "Special Cargo." Except for ammunition, most Army items become "General Cargo" (para 3-6c).

(2) Airlift forecasts distinguish only household goods, baggage, mail and courier material, everything else is "General Air Cargo" (para 3-6c).

g. In addition to the shortcomings of timeliness and terminology, the current forecasting system, which applies only to overocean movements, offers no clear identity with Army projects or actions and provides no link with CONUS movements.

h. It was noted that SDT funds are primarily involved with overocean movement. Considerable cargo arrives at a water or air terminal with transportation costs to the terminal funded by a number of other appropriations or funds. At the terminal, transportation costs for some of the shipments are assumed by SDT funds while costs for others are borne by the original appropriation or fund source. Two points are noted with respect to this impact on SDT funds:

(1) The program manager who funded the shipment to the terminal has no simple direct way to inform the SDT program manager that the shipment will be made or has been made.

(2) The TOAs focus on the appropriation and shipper service and have little interest in what element caused the shipment, who actually made the shipment or who will actually receive the shipment.

i. Two major groups of such items arrive at the terminal, Stock Fund (SF) items and Procurement Army (PA) items.

(1) SF items are consumable or expense items and constitute the majority of items in each of the Army classes of supply except Classes V and VII. They are the "bread and butter" items needed to maintain the Army in the field. Consumer funds are cited to obtain these items from the appropriate DARCOM (for Army weapons systems) or DLA (for common items) stock fund. For these items, transportation costs within CONUS are paid by the SF. Overocean costs are assumed by SDT funds.

(2) PA items are nonconsumable or investment items and ammunition. Major items constitute Class VII and ammunition is Class V. If such items are procured and shipped FOB terminal, first destination transportation funds are charged. SDT funds then assume the charges. PA secondary items are handled the same way. These are usually large, expensive, repairable assemblies such as engines, transmissions, and final drives.

j. The SDT program is derived basically from the appropriate cargo funding programs in the current MECHTRAM forecast and modified by special inputs at HQDA level. This is a joint DALO-RMP/TSP action. The values are furnished to USAFAC for inclusion in its budget. Funding Authorization Documents (FADs) are issued to USAFAC for reimbursement of the TOAs for overocean and CONUS port handling charges.

k. The billing and reimbursement procedures were reviewed in detail. A number of recommendations were proposed (Chapter 6) that should improve procedures and facilitate USAFAC operations.

l. An inherent problem is that USAFAC pays the bills and performs fund accounting and reporting, but has no managerial control over the obligation of funds allocated. Also, current management information systems do not provide for reporting detailed obligation data at the time obligations are incurred. Management rests with the program manager in DCSLOG who provides bulk obligation estimates for recording in the accounting records. This area was examined and it was determined that enhancements to the present system of centralized funding at MACOM-USAFAC level offered the best long-term solution. See Section III, Chapter 5, and Chapter 6.

APPENDIX C

DETAILS OF ACTION TAKEN

C-1. REVIEW OF USAFAC ROLE IN SDT FORECASTING.

a. Review of the USAFAC role in SDT forecasting indicated that USAFAC does not participate in developing the SDT forecast.

b. Forecast for overocean transportation and CONUS port handling SDT funds is generated by data received from MECHTRAM network. Information regarding subsistence shipments is obtained from DLA and incorporated in the forecast. Pertinent shipment data resulting from HQDA staff actions; e.g., Chief of Staff Initiatives, PDIP items; are also incorporated by the HQDA staff.

c. Translation of forecasted movements into program and budget requirements is now properly accomplished by MACOMs for line haul movements and by the Director of Resources and Management for overocean and CONUS port handling. The Directorate for Resources and Management (DALO-RM) staff monitors all actions pertaining to this program element.

d. Forecasting of movements is feasible only by those activities or command levels which control or direct movements which result in expenditure of SDT funds. USAFAC is not such an activity.

e. It is concluded that USAFAC not be involved in forecasting actions and that their SDT program and budget actions remain unchanged.

C-2. MECHTRAM DATA SOURCE REVIEW. Review of MECHTRAM data sources reveals no apparent claimant for SDT funds not presently accounted for in the MECHTRAM forecasting system. It is emphasized that MECHTRAM covers ONLY overocean movements by MSC and MAC; MACOMs continue to retain program/budget responsibility for CONUS and oversea line haul. The Transportation Management Division (DALO-TSP) has ongoing actions which will ensure that DOD-sponsored shipments for non-DOD activities are fully reimbursed to Army; examples: Agency for International Development (AID), General Services Administration (GSA).

C-3. MATERIEL FIELDING PLAN REVIEW.

a. Materiel fielding plans cover the distribution of materiel other than major items in general terms only. Firm descriptions and specific information relative to transportation impact for this materiel is not developed in the fielding plan.

b. It is anticipated that the amount of materiel other than major items distributed solely under the fielding plan will be minimal. Follow-on distribution of both major and other items will be covered by cargo forecasts submitted under AR 55-30.

c. The Total Army Equipment Distribution Plan (TAEDP) is the basic distribution plan and includes major items covered by materiel fielding plans.

d. In view of the matter set forth above, DARCOM recommended that TAEDP be used and that materiel fielding plans not be considered as a source for SDT program forecasting. TAEDP when implemented will provide DARCOM the ability to integrate equipment distribution projections in their overocean forecasting program.

C-4. REVIEW OF DARCOM CONUS LINE HAUL FORECASTING PROCEDURES.

a. Current forecasts for DARCOM SDT Line Haul Program are developed at each DARCOM major command based on transportation workloads developed from supply and maintenance workload projections. Program/budget submissions cover the target and 4 out-years. Examples are:

(1) The Line Haul Program represents a major portion of the DARCOM SDT Program. This program is a result of inputs from Materiel Readiness Commands (MRCs) which describe planned supply and maintenance activities which will result in SDT expenditures during the FY under consideration. This workload is allocated to the various depot SDT programs based on expected workload and destinations.

(2) MRCs develop Line Haul Programs to provide funds for directed returns of command managed items. These programs are based on planned maintenance and supply actions which require materiel be returned at DARCOM cost.

(3) Other DARCOM subordinate elements develop SDT programs to fund a variety of shipments which are chargeable to SDT accounts. These programs are based on planned supply and maintenance action projected for the target time period.

b. Current procedures for input to SDT program to reimburse TOAs are contained in AR 55-30 under the discussion of long-range cargo forecasting. Each DARCOM MRC provides input to the DARCOM LCA where it is consolidated and forwarded to HQDA. Data input serves both as a partial basis for DA SDT program/budget actions and as partial basis for TOA program/budget activities. Submission covers forecast for a single target year only.

c. The internal DARCOM procedures used to provide input into the SDT Budget Program have been under review and will be revised during the next 6 to 8 months. These procedures will produce a forecast of major item distribution for the target year based on the TAEDP. This plan will identify major items of equipment which are to be distributed during the following 36-month period. The latter portion of this forecast will include the target year for both AR 55-30 and program/budget purposes.

d. DARCOM indicated that the current procedures which are used to develop the DARCOM line haul portion of the SDT budget are adequate and accurate.

C-5. REVIEW THE ROLE OF THE TOAs IN SDT PROGRAMING AND BUDGET ACTIONS. As depicted in chapter 3, the TOAs require the MECHTRAM forecast data in the development of rates and their industrial fund budgets. Also, since their mission and their cargo interests extend throughout DOD, it would be difficult for them to contribute meaningfully in Army SDT program/budget actions. The important role

they do have is indirect. Their rates are provided to Army in order that SDT costs can be projected. This position was reaffirmed at the 13 December 1978 PAG.

APPENDIX D

REFERENCES